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# MARYLAND

**The Demonstration Of  
State Work/Welfare Initiatives**

## **Final Report On The Employment Initiatives Evaluation**

**Daniel Friedlander  
Gregory Hoerz  
David Long  
Janet Quint**

**December 1985**

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Daniel Friedlander  
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with

Barbara Goldman  
Judith Gueron

DHR, OWE

Manpower Demonstration  
Research Corporation

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The Authors

## PREFACE

This is the final report on MDRC's evaluation of two of nine special programs in Maryland known as the Employment Initiatives. The two initiatives studied are the Options Program in Baltimore and the Basic Employment Training Project in Wicomico County, each of which tried different employment approaches for the AFDC welfare population in their area. An earlier interim report describes the implementation and participation patterns of both programs; this report expands on the earlier participation findings, but focuses primarily on Baltimore's Options Program, examining its effects on enrollees' employment and welfare outcomes, as well as program benefits and costs.

Maryland is one of a number of states participating in MDRC's multi-state Demonstration of State Work/Welfare Initiatives. Others include Arizona, Arkansas, California, Florida, Illinois, Maine, New Jersey, Texas, Virginia and West Virginia.

In this demonstration, MDRC has had a unique opportunity to work closely with a number of states in evaluating their employment programs, while at the same time examining a subject that is of national as well as state concern: the critical relationship between work and dependency. Addressing state issues in a manner that benefits policy at many levels is a challenge that MDRC is privileged to be undertaking.

In order to understand this project, one must realize that this demonstration documents an important shift in program responsibilities away from the federal government to the states. The studies evaluate the initiatives

states themselves chose to implement under the provisions of the Omnibus Budget Reconciliation Act of 1981, in which they received authority for the first time to operate Community Work Experience (CWEP) programs for recipients of Aid to Families with Dependent Children (AFDC) and to streamline the administration of their Work Incentive (WIN) system. Because states responded to this opportunity in different ways, the demonstration is not built around a single model. Rather, the programs represent some of the major variations being tried around the country and span a range of local economic conditions and AFDC program provisions.

MDRC could not have conducted this demonstration without the support of The Ford Foundation, which provided funds for the planning stage and for the evaluation activities of the participating states, matching an equal investment of state or other local resources. This joint funding relationship is another significant aspect of the demonstration effort.

In the implementation and analysis of the Demonstration of State Work/Welfare Initiatives, MDRC has been gratified by the sustained commitment of the participating states and foundations and their interest in the findings. It is our hope that the process and results of this demonstration will contribute to informed decision-making and ultimately lead to the development and operation of even more effective programs designed to increase the self-sufficiency of welfare recipients.

Barbara B. Blum  
President



## EXECUTIVE SUMMARY

This is the second and final report on two of the nine special programs, known collectively as the Employment Initiatives (EI), for applicants to and recipients of Aid to Families with Dependent Children (AFDC) in the State of Maryland. The initiatives were begun in response to the federal Omnibus Budget Reconciliation Act (OBRA) of 1981, in the WIN Demonstration Program title, which offered states the opportunity to improve the administration and operations of the Work Incentive (WIN) Program, the federal/state employment program for AFDC registrants. The goal of the federal legislation was to enhance the unsubsidized employment of the AFDC population, and thereby reduce public assistance caseloads and costs. Maryland officials, however, had framed the objective of the Employment Initiatives -- that of assisting enrollees to achieve self-sufficiency -- in broader, more client-centered terms than did the OBRA legislation.

Under its WIN Demonstration Program, the Maryland Department of Human Resources (DHR) operates both the new Employment Initiatives and a program of typical WIN services (known simply as the WIN Demonstration Program) for eligible persons not served by the special projects. This report studies the first two Employment Initiatives -- the Options Program in Baltimore and the Basic Employment Training Program (BET) in Wicomico County on Maryland's Eastern Shore -- which both began in the fall of 1982, replacing the WIN Program for the targeted welfare population in the areas in which they operate. Both EI and WIN focus on individuals classified as mandatory

registrants under the WIN rules: basically, all single parents of children older than five who apply for or receive AFDC welfare, as well as those applying for or receiving aid under the Unemployed Parent title of the AFDC program (AFDC-U).

The evaluation, undertaken by the Manpower Demonstration Research Corporation (MDRC) under a contract from the Department of Human Resources, is part of a large-scale, multi-year study of several different employment programs for welfare recipients that states have developed under the authority of OBRA. Maryland is one of 11 states in MDRC's evaluation, which is financed by The Ford Foundation, other philanthropic sources and state governments. This report will update the findings in the first report on program participation in both the Baltimore and Wicomico County programs, but will focus primarily on the impacts of the Baltimore Options Program on enrollees' employment and welfare receipt, and the program's benefits and costs.

The impact and benefit-cost analyses compare outcomes for individuals randomly assigned either to the Options Program or to a program of regular WIN services. The study thus looks at the results of two programs that have quite different philosophies and modes of operation. The WIN Demonstration Program -- offering essentially the same services as the regular pre-demonstration WIN Program -- stresses direct placement of its participants into the labor force; employability development services, such as unpaid work experience and skills training, have largely been curtailed. WIN, like Options, aims to assist participants to achieve self-sufficiency, but in WIN that goal is defined in immediate or short-run terms.

In Options, in contrast, the objective is self-sufficiency over the

long run. Some of its employability development activities, such as group and individual job search, are also oriented toward immediate placement. But in recognition of the fact that welfare recipients frequently have educational deficits and lack job skills, Options emphasizes work experience, basic literacy and General Equivalency Diploma (GED) preparation, as well as skills training. The program has also added on-the-job training, partly financed through diverted welfare grants (but this activity was only used to a limited extent during the period observed). These activities are geared toward improving the economic security of participants -- that is, increasing their earnings and job retention -- in the longer term, even though, in the shorter term, their effects may not be evident.

The concern of DHR in enhancing participants' employability has helped to shape the way in which the agency has organized the EI work experience component. Planners rejected the Community Work Experience (CWEP) approach, as authorized by OBRA, under which recipients are obligated to work for the number of hours obtained by dividing their grants by the minimum wage. Instead, EI has adhered to the provisions of WIN work experience, wherein participants work either part- or full-time for up to 13 weeks in jobs in the public and private nonprofit sector while receiving their benefits (plus, in the EI programs, a small stipend). In Maryland, WIN work experience is full-time, reflecting the conviction of program planners that employers are more willing to provide such positions and that the extended hours will help to improve the work skills of participants.

It is important to recognize that the analysis of program impacts presented in this report is a conservative one -- one that may to some extent understate the program's accomplishments. This is the case for two

major reasons. First, Options' participants are not compared to individuals who received no services at all, but rather, to those who received some regular WIN services. Thus, the study does not address questions about the absolute effectiveness of Options, but only about its effectiveness relative to the WIN Program. Second, it is not clear that the follow-up period -- five quarters after random assignment for all individuals in the research sample and eight quarters for a smaller group -- is sufficient to capture all the positive effects that may be expected to accrue from Options participation. Because of the importance of this issue, longer-term data will be examined in a supplemental analysis at a later date.

Along with program philosophy and emphasis, the Options Program differed from regular WIN in three other respects: the level of resources available, the nature of the population served, and management authority. First, WIN, while mandatory in intent, does not have the funding to provide appropriate employment services for all registrants. Both Options and BET, on the other hand, are funded at a level deemed sufficient to ensure that all enrollees receive activities and support services, and that staff caseloads are low enough to allow thorough and ongoing monitoring. Thus, EI permits the examination of a fully implemented WIN Program, with both the resources and intent to require participation by all those judged suitable. It should be noted, however, that while EI staff could have enforced a participation requirement, doing so was never by itself a goal of the program planners or operators. Instead, the requirement has been seen as a useful means of encouraging people to avail themselves of program services.

Second, WIN and the Options Program differ in the nature of the populations they serve. WIN serves all mandatory applicants and recipients, while the Baltimore Options Program serves only applicants and recipients who became WIN-mandatory after the program began.

Finally, the Department of Human Resources contracted operating responsibility for the Employment Initiatives to what were, at the programs' inception, the local CETA prime sponsors, because they enjoyed reputations as flexible, innovative agencies and had previously been associated with projects serving this welfare population. In Baltimore, the Options Program is managed by the Office of Manpower Resources (OMR). In Wicomico County during the period under study, administrative authority for the BET Program was initially vested in the Governor's Training and Employment Office, the balance-of-state prime sponsor and a DHR entity, and then transferred to the Office of Welfare Employment Policy, also within DHR.

Options and BET differ from each other as well as from WIN. As noted previously, the Baltimore program philosophy stresses long-term employability development so that registrants may be able to obtain better than entry-level jobs. Thus, Options' registrants receive a choice of activities, and the assignment decision is quite individualized, depending on a person's needs, the availability of program slots, and the registrant's own preferences. And, while there is no fixed sequence of program activities, the participation requirement is intended to be ongoing; that is, registrants are expected to take part in assigned components as long as they remain on welfare.

In contrast, the Wicomico County BET Program more closely resembles WIN in the emphasis it gives to immediate job placement. It was intended

and has mostly been implemented as a fixed-sequence program. The large majority of enrollees proceed first through a three-week job search component, after which they may enter a GED program, vocational training, or a 13-week assignment to a work experience position. BET also differs from Options in that its staff members deliver employability development services directly to registrants. In Baltimore, other units of the prime sponsor agency operate the employability activities; Options staff assess the registrants and then coordinate and monitor service delivery.

In addition, the programs differ in scale. In Wicomico County, BET replaces the WIN Program and is expected to serve about 500 individuals over the course of a year. Unlike Options, it serves AFDC parents with children younger than six who volunteer for program activities, as well as those deemed mandatory. In Baltimore, the program was designed to provide services to a relatively limited number (1,000) of AFDC applicants and recipients drawn from about half the city; the WIN Program serves those not registered in Options. The findings of this study, therefore, do not necessarily pertain to a program implemented on a city-wide basis.

### The Study Design, Sample and Data Sources

This report addresses a number of key questions in three main areas of study:

#### Process Study

- What was the nature of the program in each site?
- Were the Employment Initiatives able to expand the reach of employment services to a broad segment of the eligible caseload?
- What were the resulting participation rates and related

operational performance indicators?

- What were the rates of participation in each of the principal components: job search, work experience, and education and training? Did these differ among important subgroups of program enrollees?
- For those who entered unpaid work experience, was the work requirement viewed as fair? Did the positions foster the employability and skills development of participants? Were participants satisfied with their jobs?

#### Impact Study

- How effective was the Baltimore Options Program in increasing enrollees' employment and earnings and reducing welfare receipt and payments?
- Within the Baltimore AFDC sample, which of the main subgroups experienced the larger impacts: applicants or recipients? Those with some vs. no recent employment experience?

#### Benefit-Cost Study

- How did the measurable benefits of the Options Program, relative to those of WIN, compare to net program costs?
- How were gains and losses distributed among the targeted welfare population, the taxpayers and society as a whole?
- What individual benefits and costs were most important to the overall results?

Different study samples were used for the evaluations in Baltimore and Wicomico County. First, to obtain reliable answers for the impact and benefit-cost analyses, an experimental design was implemented in Baltimore. As noted previously, individuals determined to be WIN-mandatory during the research period, either when they applied for assistance or at a later point, were randomly assigned either to an experimental group required to register with the Options Program -- or to a control group, excluded from Options participation and assigned instead to WIN. (Because the number of Options-eligible individuals exceeded the size of the sample needed for the

research, individuals could also be randomly assigned to a third non-research group, also registered in WIN.) Random assignment began November 15, 1982 and continued through the end of December 1983, during which time 3,172 persons entered the main research sample. Of these, 2,823 were AFDC's (primarily women) and 349 were AFDC-U's (primarily men). Because of the small number of AFDC-U enrollees, the analysis concentrates on the AFDC sample.

It should be noted that the individuals eligible for Options did not constitute a typical cross-section of either the Baltimore AFDC or AFDC-U caseload. While the applicant sample was probably typical of the city-wide mandatory applicant caseload, Options' eligibility in the case of recipients was limited to those newly required to register with WIN. This meant that mothers whose youngest child had just turned six made up most of the recipient AFDC sample, although the sample did include women with both long and short welfare histories.

In Wicomico County, in contrast to Baltimore, all new WIN-mandatory individuals could be enrolled, making random assignment not feasible for the study of BET. The sample examined in the BET Program consists of 524 WIN-mandatory individuals who registered for the program between October 1, 1982 and December 31, 1983. Although BET served volunteers as well, these people were excluded from the research sample.

For the study of Options impacts, Maryland State Unemployment Insurance (UI) records provided data on employment and earnings, while AFDC records supplied information on monthly welfare grants. Data for the process analysis primarily came from the Employment Services Automated Records System, as well as from interviews with program staff and a sample of



enrollees in work experience and their supervisors. For the benefit-cost study, program benefits were compared to net operating costs using impact and process results, as well as fiscal and administrative records of the Options Program.

#### Findings on Implementation and Participation

- The population served by Options was notably disadvantaged, although varied in its demographic and socioeconomic characteristics.

Ninety percent of the AFDC sample members were women; roughly two-thirds were black and one-third white. Over half had never finished high school or its equivalent. Forty percent had never married, one-third were separated, and 17 percent were divorced or widowed; under 10 percent were married and living with their husbands. Over half (55 percent) had previously received public assistance for two years or more, while only one-seventh were on the rolls for the first time. Forty-four percent had held a job during the year before random assignment.

As expected, there were significant differences between the applicant and recipient subgroups, each of which constituted about half of the AFDC sample. Sixty-one percent of the applicants, but only 28 percent of the recipients, had worked in the year prior to welfare application. Conversely, 74 percent of the recipients had received welfare for more than two years compared to 36 percent of the applicants.

Individuals receiving AFDC-U differed from those on AFDC in numerous ways: they were overwhelmingly male, married and living with their spouses; they were primarily new applicants for assistance; they were much less likely to be long-term welfare recipients; and they were more likely to

have been employed in the year before sample entry. All of these factors usually make access to the labor market easier.

- Options was successful in making a wide variety of employability services available to program enrollees.

Options registrants were able to participate in the full range of services operated directly by the Office of Manpower Resources, including group and individual job search, world of work (employability preparation) workshops, work experience, GED preparation and individual tutoring. They were also eligible to enroll in skills training programs operated by OMR subcontractors. The program's success in harnessing employability resources and targeting them to Options enrollees suggests that a manpower agency can respond effectively to the service needs of welfare recipients.

- In contrast, few controls in the WIN Program received any structured services.

Levels of participation for the control group in WIN were very low. Only 3.4 percent took part in a formal activity, mostly job search, within a year after enrollment. However, enrollees did receive referrals to jobs as these openings came to the attention of program staff.

- Participation rates were substantial in the Options Program and comparable to those of other state employment initiatives studied by MDRC, even though the Options deferral criteria were, by intention, somewhat broader than those found in some other states.

Typically, in states that MDRC is examining, about half of the AFDC experimentals participated in some activity within six to nine months of registration. In the Options Program, 44.5 percent of all those randomly assigned to the experimental group, and 53 percent of the experimentals who subsequently registered with the program, were active within a year in some program component -- group or individual job search, work experience,

education or training.

These rates understate the Options Program's accomplishments for two reasons. First, some enrollees left the program -- that is, they were "deregistered" -- before they had had an opportunity to participate; some were not accepted for welfare, others found jobs or had different reasons for leaving the program, such as remarriage or the birth of a child.

Second, a significant number of registrants were assigned to a status known as "long-term holding." Many of these persons were already employed or actively pursuing employment or training activities which, while not delivered under program auspices, were nonetheless related to the program's goal of self-sufficiency. Options' policy of excusing such enrollees from program participation, at least temporarily, differentiates this model from a number of other mandatory employment programs for welfare recipients.

- Rates of participation in Options continued to climb over the course of the follow-up period.

Although two-thirds of those who ever participated did so within the first three months of program entry, participation rates continued to rise thereafter. As late as 18 months after enrollment, some registrants were entering program activities for the first time. In part, this reflects staff's persistent monitoring of individuals in holding status and their assignment to active components when situations changed.

- Options staff made an effort to serve enrollees in all major subgroups, including those whose members had relatively little prior employment experience.

Although AFDC and AFDC-U enrollees had quite different backgrounds of prior employment when they entered the program -- as did both applicants and recipients -- participation rates were similar for all principal

subgroups. Except for a slight tendency to reach more deeply into the pool of eligible AFDC-U applicants (the most employable group), Options staff appeared to direct attention to the subgroups equally, including those judged to have many employment deficiencies.

- The Options Program largely accomplished its objective of targeting services to registrants' disparate needs.

During the intake interview, counselor and enrollee came to agree on a choice of activity geared to the latter's employability needs, goals and preferences. Because the assignment depended so much on previous school and employment backgrounds, enrollees who participated in different activities had quite different demographic and socioeconomic characteristics. For instance, registrants without a high school diploma or with relatively meager job histories were especially likely to enter work experience positions. Those with a recent work record, in contrast, were most often assigned to job search. Staff reasoned that these persons could more readily find employment without intensive assistance.

- All the Options Program components were heavily utilized.

Overall, about 30 percent of the experimental registrants took part in group or individual job search over the 12-month study period, and about 20 percent were active in work experience. These two activities have also been used extensively in other state programs in MDRC's multi-state evaluation. Unlike many states, however, about 14 percent of the Options' experimental registrants participated in longer-term education and training activities intended to enhance their future labor market prospects.

- A survey of participants and their supervisors in WIN work experience positions indicated that the jobs were important and not "make-work." In addition, approximately 60 percent of the participants believed that the requirement to work was

fair.

Interviews were conducted with a random sample of 54 participants and their supervisors in Baltimore and Wicomico County. As in other states running a work experience program, participants interviewed said that they liked their jobs and believed they had learned from working in them. The majority said that they felt better about getting welfare when they were working for it, and 62 percent expressed satisfaction with receiving benefits tied to a job. However, 38 percent of the participants said they were dissatisfied with the requirement that they work.

- After 12 months, 78 percent of all Options enrollees had participated in the program, or, if they had not participated, had been deregistered. Conversely, 22 percent were still enrolled, but had not yet participated.

In addition to examining the "ever-participated" rate in program activities, the study presents a second measure of participation: the proportion of all individuals who, at the 12-month point, were still registered in the program but had not yet taken part in its activities. This measure takes account of the fact that, as noted above, some enrollees were not eligible throughout the study period, but rather, left the program before participating.

The 22 percent of experimental registrants in the "still-registered-but-unserved" group represents 41 percent of all those still registered, and therefore still on the welfare rolls. This proportion, however, includes individuals in long-term holding status, some of whom were working or pursuing training on their own.

It should be noted that neither this measure of participation nor the previous one shows, on a monthly basis, the proportion of program

registrants who were actively engaged in job search or work experience -- an alternative participation measure suggested in proposed national legislation.

- While participation in Options was extensive, it was not continuous.

Although the Options Program design called for participation to be continuous until enrollees either found jobs or were deregistered for other reasons, it does not appear that an ongoing participation requirement was in fact implemented. Instead, many enrollees participated only in one activity even when, after its completion, they remained registered in the program and were available for reassignment. In part, this was because a considerable length of time could elapse before openings occurred in an appropriate new activity.

- Levels of participation in BET were very similar to those in Options; however, a higher proportion of BET than Options enrollees were deregistered from the program.

Overall, 52 percent of BET enrollees participated in a program activity (usually group job search) within 12 months after program entry, a figure that is very close to Options' 53 percent level. BET enrollees were also more likely to be deregistered from the program within the 12-month period than were those in Options. These two factors together mean that only 16 percent of BET registrants remained in the program without having participated at the 12-month mark.

However, in BET, unlike Options, subgroup differences in participation were evident, with BET applicants in both the AFDC and AFDC-U categories less likely to participate than recipients.

- Very few registrants in either Options or BET were sanctioned.

Both Options and BET staffs viewed the programs as mandatory, and spent a good deal of time following up on participants who did not attend scheduled activities. However, sanctioning of noncompliant individuals was rare. For one, staffs tended to believe that most enrollees had a legitimate excuse for nonparticipation. For another, neither they nor the programs' planners viewed sanctioning as a way to reduce welfare caseloads and costs.

### Findings on Program Impact

#### The Fundamental Comparison

The impact of a program is the change in behavior it produces. As noted earlier, the design of this study measures the impact of Options as the differences found between the rates of employment and welfare of people assigned to the program (i.e., Options experimentals) and an estimate of what those rates would have been for the same people without Options (i.e., the control group).

Thus, the impact of Options on experimentals could be large or small depending in part on the ability of controls to find work and leave welfare on their own or with the assistance afforded by WIN. Therefore, to understand Options' impacts, it is important to understand the normal employment pattern and welfare turnover of the control group.

- Options served a welfare population which, despite its poverty and educational and skills deficits, nonetheless had considerable recent employment experience.

Some 61 percent of the AFDC applicants had worked at some time during the year prior to their application for welfare. A much lower rate, 28 percent, was found for the AFDC recipients. This rate, although half that

of the applicants, nevertheless points to a recent work history for a substantial portion of the AFDC recipient sample. On the basis of this record, employment rates for controls were expected to be substantial, even without special Options services.

- Following the quarter of random assignment, the employment rates of controls rose and their welfare receipt declined steadily throughout the five-quarter follow-up period, even though controls received no Options services.

Nearly one-fourth of the AFDC controls had some earnings during the quarter immediately following random assignment. This employment rate climbed to 32 percent by the end of five quarters, even though this group never partook of Options services. In all, 44 percent of the AFDC controls worked at some time within this follow-up. And, although 92 percent of the AFDC controls were receiving welfare in quarter one, only 70 percent were still on the rolls during the fifth quarter. Because the Options Program had no effect on this outcome, the departure of many people from welfare with only modest assistance from the regular WIN Program represents normal caseload turnover.

Subgroup differences correspond to the differences in prior employment described above. Control AFDC applicants did better on their own than did control AFDC recipients. Slightly more than half -- 51 percent -- of AFDC applicant controls had earnings during the tracking period compared to 37 percent of AFDC recipient controls. The receipt of welfare also declined more than twice as rapidly for applicant compared to recipient controls.

The dynamic change in employment and welfare receipt of control group members after random assignment may partly reflect the choice of a target population that had just undergone a period of change. For recipients, the



start of school for their youngest child may have meant a significant increase in their capability to seek and hold employment, even without special assistance. The nature of this population may have done much to determine the behavior of the research sample.

#### Impacts for the Full AFDC Sample

In the main evaluation of the short-term impacts for the Options Program in Baltimore, the behavior of all (1,331) AFDC experimentals -- active participants together with nonparticipants -- was compared to that of all of the AFDC control group members (1,372) over a 15-month period following random assignment. This period is divided into five three-month quarters, but because of the organization of UI earnings data, the follow-up on employment and earnings does not begin until quarter two.

Sample members with zero earnings or zero welfare payments are included in the averages of earnings and welfare dollars. Tests of statistical significance indicate whether the measured differences were likely to have resulted from chance or from the program intervention.

- The Options Program achieved short-term increases in employment for AFDC's.

Measured against the yardstick of the rising employment behavior of the controls -- who, as noted earlier, were involved in a WIN Program focused on immediate placement -- the Options Program was effective in helping enrollees to improve their employment levels. As seen in Table 1, almost half of the controls, or about 44 percent, worked at some time during the follow-up period. Among experimentals, this rate rose to 51 percent for a gain, or impact, of 7 percentage points. The total number of quarters in which enrollees were employed also increased, as did the

TABLE 1

## BALTIMORE

## SUMMARY OF IMPACTS ON AFDC APPLICANTS AND RECIPIENTS

Outcome and Follow-Up Period	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 6 (%) <sup>a</sup>	51.2	44.2	+7.0***
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.31	1.15	+0.16***
Ever Employed (%)			
Quarter of Random Assignment	29.1	26.4	+1.6
Quarter 2	27.2	24.0	+3.2**
Quarter 3	32.4	27.9	+4.5***
Quarter 4	34.7	31.6	+3.1*
Quarter 5	36.5	31.6	+5.0***
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	1835.15	1769.74	+176.41
Average Total Earnings (\$)			
Quarter of Random Assignment	291.98	255.99	+6.09
Quarter 2	319.55	332.99	-14.44
Quarter 3	467.90	409.24	+59.55*
Quarter 4	570.65	504.59	+66.07
Quarter 5	579.16	512.92	+65.23
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	94.9	95.1	-0.2
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	11.14	11.29	-0.15
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	92.5	92.1	+0.4
Quarter 2	97.3	97.5	-0.2
Quarter 3	77.4	79.2	-0.9
Quarter 4	71.7	73.2	-1.5
Quarter 5	68.8	70.4	-1.7
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3059.03	3064.12	-9.09
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	679.49	672.22	+7.23
Quarter 2	679.55	671.53	+7.02
Quarter 3	693.99	693.42	+0.26
Quarter 4	563.66	569.22	-5.55
Quarter 5	542.69	557.73	-15.05

SOURCE: Table 5.1.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. There may be some discrepancies in calculating sums and differences due to rounding.

For employment and earnings, the quarter of random assignment refers to a calendar quarter. For AFDC payments, the quarter of random assignment refers to the three months beginning with the month in which an individual was randomly assigned.

<sup>a</sup>Quarter 1, the quarter of random assignment, may contain some earnings from the period prior to random assignment and is therefore excluded from the measures of total follow-up employment and earnings.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

quarter-by-quarter employment rates. Employment in the final quarter was up 5.0 percentage points from a control group base of 31.6 percent.

In addition, the average earnings per experimental for quarters two through five went up by \$176 from \$1,759 for controls to \$1,935 for experimentals, although these gains were not statistically significant in most quarters. The \$65 gain in the final quarter amounted to a 12.7 percent increase relative to the control group value of \$513.

- The employment gains of the AFDC Options' enrollees were not accompanied by immediate reductions in welfare receipt or grant expenditures.

Only a small difference was apparent between experimentals and controls in the number of follow-up months each group received welfare and in the proportion receiving welfare in any particular quarter. (See Table 1.) Correspondingly small dollar reductions in welfare payments took place. In no case did program effects on any welfare measure approach statistical significance during the 15-month follow-up period.

Since earnings gains were not offset by welfare reductions, Options enrollees' total income increased slightly: by the fifth and last quarter of observation, an enrollee's contribution to family income from these two sources combined went up by \$52, a 4.8 percent increase over the control group mean, although this gain was not statistically significant. (Data on earnings and transfer payments to family members other than the sample members were not available.)

A number of other recent studies of employability development programs for the AFDC assistance category have found similar employment gains without comparable welfare savings. Part of the explanation probably lies in the benefit calculation rules, which allow deductions from gross earnings

of work-related expenses, such as documented child care, and the application of the \$30 plus 1/3 disregard on the balance of earnings for four months. Another part of the explanation may be a possible lack of communication about changes in earnings between the Options and income maintenance staffs, or between welfare recipients and the income maintenance unit. These, and lags in recalculating grant levels, may have all played a role in weakening the link between employment gains and welfare reductions.

- A higher proportion of Options experimentals than controls were working in the short run, but in jobs with similar levels of earnings.

It has sometimes been suggested that employment programs, particularly job search activities, raise employment levels by pushing participants to accept inferior jobs. Because Options produced employment and earnings gains, this possibility was investigated by categorizing employment in the final quarter as paying more or less than \$1,500, with \$1,500 representing about the minimum wage for 35 hours of work weekly for 13 weeks. (Wage rates are not recorded in the UI data, only total earnings received in a quarter.)

Changes produced by Options conform to the original pattern of earnings observed for employed controls. Just under half of the employed persons in the control group earned more than \$1,500 in the fifth quarter, and the same was true for experimentals. The gain in employment caused by the Options Program was therefore not confined to the smaller-earnings category: 2.2 out of the 5.0 percentage point gain took place in the higher-earnings group. (The remainder of the gain occurred in the category where employment yielded earnings less than \$1,500.)

- Earnings impacts appeared to continue and even increase after the short-term observation period.

Eight quarters of follow-up data were available for the 1,017 AFDC's who entered the research sample before April 1983. For this subsample, impacts on employment, welfare incidence and dollar expenditures were all lower in the final two quarters than in the preceding quarters. In contrast, earnings impacts were higher in the later quarters than at any time during the first five quarters. At the eighth quarter, experimentals earned an average of \$780 against an average of \$623 for controls. The difference of \$157 is statistically significant and represents a 25 percent increase in earnings per experimental relative to the control group mean.

This result is consistent with the aim of the Options model, which not only emphasizes immediate job search assistance, but also provides some participants with training and other services designed to increase their long-term earnings potential. These outcomes, however, remain uncertain until long-term data become available for the remainder of the sample.

#### Impacts for the AFDC Subgroups

Several recent studies of employment programs for the welfare population have found that more disadvantaged subgroups will benefit most from program services. Since program impact is, by definition, a change in behavior, those with the poorest skills and the weakest work records often possess the greatest potential for real change. "Job-ready" individuals, on the other hand, can frequently find and keep employment without special assistance. Their higher rates of employment (or "placement rates") may not reflect changes caused by program intervention.

- Employment among the AFDC applicant experimentals exceeded that of controls from the first quarter after random

assignment, remaining higher throughout the short-term observation period.

AFDC applicant experimentals avoided much of the sharp drop in employment experienced by applicant controls around the time of welfare application, and they kept ahead of controls throughout the follow-up period. As late as the fifth quarter, while applicant controls had not quite regained their pre-program quarterly employment level of 40 percent, experimentals had met and exceeded that mark. Overall, in the fifth-quarter, the impact was a statistically significant 6.3 percentage points. The corresponding \$111 gain in earnings for experimentals constituted a 17 percent increase over the control group mean of \$653 in the quarter. As for the AFDC sample as a whole, short-term welfare impacts for the AFDC applicants were smaller than the employment gains, and were not statistically significant.

One other finding is noteworthy. Planners had not envisioned that the applicants would be deterred from proceeding with their welfare applications by the requirements of the Options Program, and no deterrent effect was in fact found. During the 15-month follow-up, 92.2 percent of the AFDC applicant experimentals compared to 92.7 percent of the AFDC applicant controls received some welfare payment, indicating virtually no difference in the approval rates between the two groups.

- Short-term employment impacts were evident for AFDC recipient experimentals, despite their concentration in services oriented toward longer-term employability development.

From quarters two through five, 42 percent of the AFDC recipient experimentals worked at some time, compared to 37 percent of controls. The 5 percentage point difference is statistically significant, as is the

increase in the number of quarters employed, although the employment gains, quarter-by-quarter, are not. At the final quarter, recipient experimentals registered a 3.6 percentage point employment impact against a control group base of 24.9 percent. Earnings impacts were smaller, and welfare reductions were not found.

AFDC recipients thus appeared to benefit somewhat less than the applicants from the Options Program, at least in the short run, but the impact differences between the two groups were not large enough to recommend targeting resources to any one group. Moreover, the more intensive service mix for recipients may lead to larger impacts for this subgroup over the longer term.

- The impacts of the Options Program on employment and earnings were all stronger for sample members who lacked recent work experience.

A further analysis divided the research sample into two other subgroups: those with some prior employment in the year preceding random assignment, and those with no recent work history.

As might be expected, employment rates were higher among those with more recent experience: 71 percent of the experimentals who had worked in the year preceding entry into the research were employed at some time during the follow-up period, compared to 35 percent of those who had not worked. However, impacts (that is, experimental-control differences) were more than twice as large for those who had not worked as for those who had. Thus, the 35 percent rate for experimentals without a recent work history represents a 9 percentage point increase above the 26 percent base for controls, a difference that is statistically significant; the experimental-control difference for those who had worked in the year prior to

random assignment was only 4 percentage points. The same finding -- that impacts are greater for those with less work experience -- holds true when earnings are examined.

This result -- where impacts are larger for the group that is less employable -- is one also found in MDRC's other studies of employment programs. It appears that the more employable persons, as measured here in terms of previous employment, can more easily find jobs on their own or with only minimal assistance, while their less experienced counterparts can benefit from the efforts of a more intensive program.

#### Other Comparisons

- The small AFDC-U sample did not permit reliable estimation of program impacts for that assistance category, but the possibility of large short-term gains could be ruled out.

The AFDC-U's form only a small proportion of the mandatory welfare caseload in Baltimore, and only 337 entered the impact research sample. For this group, the experimental-control differences in all employment measures were either negative or nonexistent (although no difference was statistically significant). Compared to controls, earnings were lower for experimentals, and welfare receipt and the amounts paid were higher.

The small sample size, however, makes it unwarranted to conclude that Options activities kept AFDC-U's from working in the regular labor market. On the other hand, the magnitude of these negative estimates does mean that Options' employment effects on the AFDC-U group would not likely be large and favorable, even if the sample size were larger. Because AFDC-U's have relatively strong prior work records, Options may have been at a short-term disadvantage relative to the immediate placement emphasis of WIN.

- Quarterly employment rate impacts achieved by Options for the



AFDC group are of similar magnitude to those found in programs currently under study by MDRC in other states.

Immediate employment impacts for the AFDC's, detectable soon after random assignment and continuing throughout the short-term follow-up, have been also found in two other programs MDRC has studied thus far -- one in San Diego for applicants and the other in Arkansas run for both applicants and recipients. Although labor markets, enrollee characteristics, and length of available follow-up differ for these three programs, the quarterly employment rate increases exhibit roughly similar ranges. Short-term welfare savings, however, were not found in Baltimore.

#### Findings from the Benefit-Cost Analysis

The impacts of the Options Program were compared to its costs in the benefit-cost analysis. A number of different benefits and costs were considered: the program's effects on employment and AFDC welfare payments, its effects on experimentals' use of other transfer and service programs, the value of community work performed by Options' participants, program operating costs, the costs of program stipends and support services, and out-of-pocket expenses incurred by participants.

The value of each of these benefits and costs was assessed from three perspectives: that of welfare applicants and recipients, taxpayers (everyone other than the applicants and recipients in Options), and society as a whole. These perspectives correspond to three different policy questions:

- Is Options an economically efficient use of social resources -- that is, do benefits exceed costs from the standpoint of society?

- How do applicants and recipients fare -- are they helped by the Options Program?
- How are taxpayers affected -- do the welfare savings and other benefits outweigh the costs they bear?

The net present value of the Options Program -- a measure reflecting the difference between total benefits and total costs, discounted to 1984 dollars -- has been estimated for each perspective. Because applicants, recipients and taxpayers together include everyone in society, the estimated net present values for these groups add up to the estimated social value. In addition, it is possible to look at subsets of the benefits and costs to taxpayers -- most notably, those items that directly affect government budgets -- that are of special interest to decisionmakers.

In computing net present value, benefits and costs have been estimated for a uniform five-year period following the random assignment of members of the research sample. The estimates include both directly measured outcomes for the study's observation period -- which lasted between five and eight quarters per person and ended for all sample members in December 1984 -- and estimates for the three or more years after this. These latter estimates necessarily entail assumptions about the future behavior of the research sample and -- because these assumptions are uncertain -- are best presented in a range of net present value estimates, as in this analysis. The lower estimates reflect observed outcomes only; the middle estimates assume that outcomes continue into the future but decay over time at a constant annual rate of 22 percent; and the upper estimates assume they continue with no decay.

- The social net present value of serving the AFDC group was positive, regardless of what assumptions were made about future benefits.

From the perspective of society as a whole, the Options Program was an efficient use of resources. Indeed, it generated enough benefits within the observation period to cover the costs of serving the AFDC group. As indicated in Table 2, the total estimated social net present value was between \$159 and \$966 per experimental, depending on the assumptions made about future benefits. A net present value of \$612 constitutes the middle estimate.

The estimated social net present value for AFDC applicants was higher than that for the recipients. These estimates, however, are somewhat uncertain because it appears possible, given the longer-term impact trends, that benefits for recipients after the observation period will eventually exceed those for applicants.

- Both AFDC applicants and recipients were better off as a result of the program.

The net benefit to the Options experimental group was \$547 per person using the middle assumptions. The range of the estimates went from \$439 to \$673. When examined separately, both applicants and recipients showed gains in net income, reflecting their earnings increases. These higher earnings levels were, however, partly offset by the increased taxes they paid and the reduced transfer payments (primarily Food Stamps) they received.

- Taxpayers appeared to break even, more or less, as a result of Options. When only the budget effects are considered, however, the estimated budgetary gains and savings are less than the program's costs.

It appears that, from the perspective of taxpayers, program benefits are approximately balanced by costs. The lower and higher estimates of

TABLE 2

## BALTIMORE

ESTIMATED BENEFITS AND COSTS PER AFDC EXPERIMENTAL,  
BY ACCOUNTING PERSPECTIVE

Component of Analysis	Range of Estimates <sup>a</sup>			Middle Estimate <sup>b</sup>		
	Accounting Perspective Applicant/ Recipient Taxpayer			Accounting Perspective Applicant/ Recipient Taxpayer		
Benefits						
Value of Work Experience Output	\$316 to 356	\$0	\$316 to 356	\$356	\$0	\$356
Increased Earnings and Fringe Benefits	491 to 1272	491 to 1272	0	930	930	0
Increased Tax Payments	0	-81 to -343	81 to 343	0	-247	247
Reduced AFDC Payments	0	-29 to -148	29 to 148	0	-100	100
Other Reduced Transfer Payments	0	-111 to -297	111 to 297	0	-225	225
Reduced Transfer Administrative Costs	14 to 46	0	14 to 46	34	0	34
Reduced Use of WIN	111 to 132	-7 to -9	118 to 141	132	-9	141
Total Benefits	\$932 to 1906	\$263 to 475	\$669 to 1331	\$1452	\$349	\$1103
Costs						
Program Operating Costs	-\$752 to -816	\$0	-\$752 to -816	-\$816	\$0	-\$816
Allowance and Support Services	0	197 to 222	-197 to -222	0	222	-222
Participant Out-of-Pocket Expenses	-21 to -24	-21 to -24	0	-24	-24	0
Total Costs	-\$773 to -840	\$176 to 198	-\$949 to -1038	-\$840	\$198	-\$1038
Net Present Value (Benefits Minus Costs)	\$159 to 966	\$439 to 673	-\$290 to 293	\$612	\$547	\$65

SOURCE: Tables 6.7.

NOTES: Positive amounts indicate a benefit and negative amounts indicate a cost. All benefits and costs are estimated for a five-year time horizon beginning at the point of random assignment, and are expressed in fiscal year 1984 dollars. Most benefits correspond to estimated experimental-control differences in program effects. See Chapter 6 for discussion of estimation techniques and data sources. Because of rounding, detail may not sum to totals.

<sup>a</sup> The lower estimate in the range reflects measured program effects only, with no estimates of future benefits and costs. The upper estimate includes estimates of future benefits and costs, where future benefits are assumed not to decay over time.

<sup>b</sup> The middle estimate includes estimates of future benefits and costs, where future benefits are assumed to decay at a constant annual rate of 22 percent after the observation period during which program effects were measured.

Options' net present value to taxpayers are -\$280 and +\$293, respectively, with the middle estimate of \$65 close to the break-even level. However, one of the benefits to taxpayers -- the value of community work performed by work experience participants -- does not directly affect government budgets. Thus, from a purely budgetary viewpoint, benefits offset most but not all of the program costs. This leaves a net budgetary loss of about \$300 per AFDC experimental using the middle estimate.

- The program's positive effects on employment led to most of the major program benefits -- increased earnings and taxes and reduced transfer payment costs. The value of community work was also important.

Most of Options' benefits are directly or indirectly attributable to the program's impact on employment. The estimated gain in earnings and fringe benefits received by AFDC experimentals -- almost \$500 per person during the observation period alone -- is, of course, a direct result of employment. The estimated changes in the taxes they paid and in the transfer payments they received (notably Food Stamps) were primarily due to the impact on employment. The value of the work done by participants in Options' work experience component -- a total of more than \$300 per experimental -- was also an important benefit.

- The total cost of the program was approximately \$1,000 per AFDC experimental, although the cost per experimental varied widely. On average, Options' operating expenses were about \$800; stipends and support services costs added another \$200.

The average operating cost of Options was about \$800 per AFDC experimental, including both participants and nonparticipants. This cost varied greatly from one experimental to another because the amounts and types of services they received varied. Remedial education and skills training were the most expensive services, followed by job search

workshops, work experience and placement assistance. In addition, an average cost of \$200 per experimental was incurred for stipends, child care and transportation.

- The social net present value of the program for the AFDC-U group was -\$3,079, a loss largely resulting from the program's negative impact on employment.

For the small group of AFDC-U's studied, the analysis indicates that Options was not effective. The middle estimate of the net present value of serving this group was -\$3,079 for society as a whole -- the range was from -\$2,006 to -\$6,098 -- and was negative also for the experimental group and taxpayers. This occurred even though the cost of serving the AFDC-U group was substantially lower than that of serving the AFDC group, because most of the expected AFDC-U benefits -- i.e., experimental-control differences in employment and welfare receipt -- turned out to be negative. However, due to the small sample size, these results are considerably more uncertain than those for the AFDC group.

In drawing overall policy conclusions from the benefit-cost analysis, it is better to rely on the general patterns of results for both groups than to focus on the specific dollar estimates produced by the analysis. One of the reasons is that a number of assumptions have been made in the analysis, including the important assumption that the employment increases for the experimental group have not resulted in displacement of other workers. Another reason is that the estimates of program impact that underlie most of the benefits are subject to uncertainty because of chance sampling error. Finally, a number of intangible benefits and costs could not be included in the analysis.

Two relatively clear patterns do emerge that should be considered in

reaching a final policy judgment about the program. As noted above, when Options' benefits are considered, the program's consistently positive effect on the employment of the AFDC group generated tangible gains for the experimental group. There were also large gains for society as a whole and small ones for the taxpayers. These benefits were not only associated with the factors that typically influence benefit levels -- higher earnings and somewhat reduced AFDC payments -- but also with higher taxes and decreased receipt of transfer payments other than AFDC and use of public services. This pattern did not hold up for the small AFDC-U group, however.

Second, these benefits appear to justify the investment made in Options, although this is more obvious from a social standpoint than the narrower perspective of taxpayers. The benefits that accrued to AFDC applicants and recipients were only partly reduced by their losses in transfers and taxes, but more of the benefits to taxpayers were balanced by the program costs they bore. Thus, the program produced a clear gain for the AFDC experimentals and appears to have also left taxpayers slightly better off, or at least not worse off. This, in turn, resulted in a positive net present value to society as a whole. It will be important to see in the supplemental analysis whether the program emphasis on longer-term service components leads to even greater benefits from all perspectives.





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MARYLAND:  
FINAL REPORT ON THE  
EMPLOYMENT INITIATIVES EVALUATION

## CHAPTER 1

### INTRODUCTION

As part of Maryland's Work Incentive (WIN) Demonstration Program authorized by the federal Omnibus Budget Reconciliation Act (OBRA) of 1981, the State Department of Human Resources (DHR) has established nine special demonstration projects, known collectively as the Employment Initiatives, for recipients of Aid to Families with Dependent Children (AFDC), the nation's largest cash assistance program. This is the second and final report on two of these special initiatives: the Options Program in the City of Baltimore, and the Basic Employment Training (BET) Program in Wicomico County on the State's Eastern Shore.

The preceding report on these two programs described their implementation and early patterns of participation. This report updates the participation findings for both programs, but its principal focus is different. Primarily, it looks at the effects of the Baltimore Options Program on enrollees' employment and welfare receipt and examines the program's benefits and costs.

The purpose of this chapter is to set a context for understanding the results of the evaluation. It first discusses the background, design and administrative conditions of the two Employment Initiatives and then outlines the evaluation plan. The chapter concludes with a brief summary of the earlier findings and the major questions addressed in this final report on the two initiatives.

A. Program Background

The OBRA legislation enacted a number of changes in the AFDC program, including giving the states expanded authority to strengthen the linkage between welfare and work. In particular, states were allowed to operate WIN Demonstration Programs whereby they could reorganize the management of the WIN Program, the major federally-financed employment program for AFDC recipients. (In WIN Demonstration Programs, states are required to give sole management authority to the welfare agency, rather than divide it between that agency and the employment service, as has been the case in the regular WIN Program.) Under OBRA, states are also permitted to run Community Work Experience Programs (CWEP), in which able-bodied AFDC recipients are required to "work off their grants" in public or private nonprofit positions for the number of hours calculated by dividing the benefits by the minimum wage.

Maryland opted to run a WIN Demonstration Program, but did not need to institute single-agency authority. At the time that the WIN Demonstration Program went into effect, the income maintenance agency and the employment service were already part of a single super-agency. Instead, in their planning for the WIN Demonstration, DHR staff elected to develop several special projects. The rest of the WIN Demonstration Program -- which, along with the Employment Initiatives, would replace the regular WIN Program in Maryland -- would not depart dramatically from the WIN Program except that, as in other states, program staff and activities have been scaled back by recent WIN funding cuts. Available WIN resources would be concentrated in the new initiatives rather than spread thinly over the whole WIN Demonstration Program.

The decision to institute new projects represented both a desire by staff to reward local initiatives and an effort to develop alternatives to what they saw as the narrow and potentially punitive thrust of the Reagan Administration's CWEP emphasis. DHR planners did approve of some kind of work experience in the new Employment Initiatives, but chose to adopt work experience as it always had been provided by regular WIN. These regulations specify that, as a condition of benefit receipt, participants can be required to work up to 40 hours a week, regardless of the grant level, but only for a 13-week period. While this is more hours than under CWEP, staff reasoned that this provision would permit the development of more meaningful work assignments -- ones in which participants would stand a better chance to gain or enhance job skills.

The first two of these special projects, the Options and BET Programs, began in the fall of 1982. They both resemble and differ from each other and from the WIN Demonstration Program as it operates elsewhere in the state.

In their rules, target groups and types of activities offered, WIN and the two Employment Initiatives are quite similar. The formal regulations governing the three programs are virtually identical. In each program, certain male and female applicants for and recipients of AFDC may be required to register and participate in activities intended to improve both their immediate and long-term employability and employment skills, thereby reducing public assistance caseloads and costs. Those who do not participate risk having their welfare applications denied or losing their benefits, although reducing welfare costs in this manner is not a primary Employment Initiatives goal.

Both WIN and the new programs require the participation of individuals -- primarily single heads of households on AFDC (mostly women whose youngest child is six or older), but also persons in two-parent households receiving welfare under the Unemployed Parent title of the AFDC program, usually the fathers (AFDC-U's) -- who have been determined "mandatory" either at welfare application or at a point later in their stay on the rolls.<sup>1</sup> As explained in Chapter 2, however, the Options Program does not serve a true cross-section of WIN-mandatory persons (including those who were mandatory when the program began), but only those who became mandatory after Options' inception. The Employment Initiatives also make use of activities previously offered in the regular WIN Program -- job search, work experience, education and institutional training -- adding to these only on-the-job training partly financed by diverted welfare grants.<sup>2</sup>

The two Employment Initiatives diverge from the WIN Demonstration Program in two major respects, the first being the level of resources. Both of the special initiatives have been funded at sufficiently high levels to ensure that all suitable candidates can be accommodated in program activities. In contrast, the WIN Demonstration Program's activities are very limited: funding cutbacks have resulted in program slots and support services adequate to serve only a small proportion of registrants. (Even under the regular WIN Program, services were limited and usually directed to those whom staff judged most "job-ready.") Indeed, group job search, work experience and training positions have been all but eliminated from the Baltimore WIN Demonstration Program; WIN activities largely revolve around staff periodically calling in registrants for counseling and referral to jobs. Aside from this, those registered with

WIN have few work-related obligations that are tied to welfare receipt. In a sense, the two Employment Initiatives may accurately be described as operating the way WIN might have, had it been more generously funded.

WIN and the new programs also differ in managerial authority. While a new entity, known as the Office of Welfare Employment Policy, was created within DHR to set guidelines and monitor the development of the Employment Initiatives, DHR has delegated full responsibility for program operations to the Job Training Partnership Act (JTPA) agencies (previously CETA prime sponsors) in Baltimore and Wicomico County.<sup>3</sup>

This decision was made for several reasons. First, JTPA staff, largely former CETA employees, were seen as more innovative and flexible in their outlook than WIN personnel. Second, they had extensive experience serving the welfare population, both in their regular capacity and in special programs that had served as prototypes for the Employment Initiatives. The JTPA agency in Baltimore (formerly the Mayor's Office of Manpower Resources, or MOMR, and now the Office of Manpower Resources, OMR) is nationally recognized and locally influential, and it had lobbied vigorously to run the new Options Program. It was reasoned that OMR, with its operational knowledge of Options services, could bring its experience to bear on behalf of the Options enrollees.

Thus, the two Employment Initiatives programs were intended to improve the quantity of services offered, compared to both regular WIN and the WIN Demonstration, and, by virtue of having able program operators deliver these services, enhance their quality as well. It was further expected that the availability of sufficient slots would enable Options and BET operators to enforce a meaningful participation requirement on program



enrollees. Nevertheless, Employment Initiatives planners did not aim to make program participation a quid pro quo for the receipt of welfare benefits. Rather, they believed that the requirement would bring to the programs a population that might really be helped -- those who could benefit from program activities, but who might lack the knowledge, courage or drive to enroll on their own. They also hoped that the requirement might win legislative support for the new programs.

Once guidelines on the target group and services had been specified, DHR gave the prime sponsors considerable flexibility to shape their Employment Initiatives as they saw fit. The next section highlights the designs of the programs that the two JTPA agencies have implemented, which are similar in some ways, but quite different in others.

## B. The Program Models

### 1. The Baltimore Options Program

A feature that distinguishes the Employment Initiatives from many other state initiatives undertaken in response to OBRA is their emphasis on enhancing participants' long-term employability through involvement in education and training. While most new programs are aimed at moving public assistance recipients as quickly as possible off the rolls -- and preferably into jobs -- Employment Initiatives planners and operators, especially in Baltimore, have maintained that individuals should be helped to find jobs that will confer at least a modicum of economic security. The intent of Options, therefore, is to encourage those participants who need such assistance to enroll in training and classes leading to a General Equivalency Diploma (GED), both of which they see as stepping-stones to better

jobs, even though enrollees may remain on welfare longer by doing so.

Beyond this, the hallmark of the Baltimore program is individualization of services. In other states, the thrust has been toward requiring enrollees to participate in a fixed sequence of program components. In Baltimore, in contrast, Options staff have tried to prescribe for each participant the regimen of activities they believe to be best suited to that person's abilities and interests. It is not assumed that any particular activity, be it job search or work experience, is appropriate for all enrollees at a given point in their program tenure.

Chart 1.1 shows the variety of components in which Options enrollees can participate, encompassing the general categories of job search, work experience, education and skills training. Indeed, the variety is such that persons eligible for Options can take part in the full array of manpower services usually offered to regular JTPA enrollees in Baltimore. As noted earlier, Options staff do not operate the activities directly; rather, most are run by staff of other OMR units with the exception of skills training, for which the agency subcontracts with training providers. Thus, the Options Program functions only as a "switching station," in which eligible persons are registered and assessed and from which they are dispatched to other components, returning to Options only for reassessment and counseling.

Participants in most activities receive a \$30 per week stipend that is usually tied to program attendance and performance and is intended to defray work-related expenses, such as transportation. Options staff help participants secure institutional day care subsidized under Title XX. In addition, Options has some Title IV.C funds to pay for 30 days of in-home

## EMPLOYABILITY SERVICES AVAILABLE TO OPTIONS PARTICIPANTS

Service Area and Name of Activity	Description	Duration	Provider	Support Services/ Stipend/Incentives	Notes
Training in General Work Behavior	Group workshop covering work attitudes and behavior	1 Week	Office of Manpower Resources (DMR) Jobs Plus Unit	Transportation; child care	Completion of component is required before assignment to Work Experience or On-the-Job Training. Duration changed to 2 weeks as of 8/1/83.
Job Search	Group workshop covering job search skills and activities	3 weeks (1 week World of Work; 2 weeks Job Search)	DMR Jobs Plus Unit	Transportation; child care; \$60 payment for getting and keeping job for 30 days	This component was replaced in August 1983 by Jobs Plus II.
Job Search Assistance (JSA)	Direct job placement	N/A <sup>e</sup>	DMR Transition Unit	None	For job ready clients only. Starters are a placement service and not an activity.
Direct Referral	Referral to available jobs by Options or OMR staff	N/A	Options and other OMR staff	None	
Jobs Plus II	Group workshop covering job search skills and activities	2 months	DMR Jobs Plus Unit	Transportation; child care; \$30/week stipend	For job ready clients only. Replaced JSA and Jobs Plus I.
Individual Job Search	Intensive individual job search efforts under direction of Options staff	Indefinite	Options staff	Transportation; child care	For job ready clients only.

(continued)

CHART 1.1 (continued)

Service Area and Name of Activity	Description	Duration	Provider	Support Services/ Stipend/Incentives	Notes
Work Experience					
Regular Work Experience	Full-time (35 hours/week) unskilled employment in public or private nonprofit agency	13 weeks; possibility of reassignment for additional 13 weeks if client, manager, and work sponsor agree	OMR Worksite Development Unit develops slots; Options staff monitor client participation, OMR Planning and Evaluation Unit monitor workshop quality	Transportation; child care; \$3 day/stipend plus \$3 bonus if performance is satisfactory; pre-employment physicals	Host agency is responsible for providing expense and incentive payments
Jobs Plus I	Program combined unskilled work experience, basic education, and job search	6 months	OMR Jobs Plus Unit	As per Work Experience	This component was phased out in late 1983 and replaced by Jobs Plus II.
Education and Training					
Tutoring	Individual tutoring	Unwritten policy of no more than six weeks	Options and OIC Instructors	Transportation; child care	
Harbor City Learning	Basic skills and GED instruction with some work experience activities	4 Trimesters	OMR unit	Transportation; child care; \$30 week/stipend	Activity limited to 16-21 year olds. Incentive payments for obtaining GED discontinued under JTPA.
PREPS	Basic skills and GED instruction with some work experience activities	Maximum of 18 months	OMR unit	Transportation; child care; \$30 week/stipend	Activity limited to 16-21 year olds. Incentive payments for completion of various levels discontinued under JTPA.

(continued)

CHART 1.1 (continued)

Service Area and Name of Activity	Description	Duration	Provider	Support Services/ Stipend/Incentives	Notes
Learning Center	Self-paced computerized instruction in basic skills and GED	Indeterminate	OMR Learning Center	Transportation; childcare	
Skills Training	Classroom training for specific skilled occupations	Varies with training program -- ranges from 3 to 18 months	OMR subcontractors including public training centers, private businesses	Transportation; childcare; \$30/week/stipend	Basic educational job skills era prerequisites. Subcontractors era responsible for placements; enrollees participate in one week unpaid pre-training before entry into component.
On-the-Job Training	Subsidized employment with private sector employers	Varies with individual position	OMR Transition Unit develops slots	Client receives regular wages	Slots reserved for those with good work histories; enrollees participate in one week unpaid pre-training before entry into component; may be funded by diversion of welfare funds.

SOURCE: Options' and MDR's planning, research, and operation documents.

NOTE: <sup>a</sup> N/A indicates not applicable.

child care for those either enrolled in job search activities or awaiting a child-care placement arranged by social services staff.

Although Options is open-ended and enrollees can be assigned to any number of components, the program does set limits for some activities and specifies that participants must take part in job search at some point in their program tenure, although not necessarily as their first component. Enrollees are not required to participate in any component more than once, however, and no enrollee is allowed to participate more than one time in classroom skills and on-the-job training. Enrollees are, however, permitted to participate more than once in the work experience and job search components if staff agree this is wise.

## 2. The BET Program in Wicomico County

Chart 1.2 summarizes the key similarities and differences between the Options and BET Programs. It indicates that both admit WIN-mandatory applicants and recipients receiving AFDC and AFDC-U. Both programs carry out a variety of functions: formal WIN registration; employability assessment; assignment to active components or to a holding status; monitoring of participation; job development and referral; adjudication proceedings leading to a possible sanction (i.e., in the case of a noncompliant individual receiving AFDC, removal of the person from the welfare grant for three to six months; and termination of the entire grant, in the case of those receiving AFDC-U); and deregistration. And in both Options and BET, job search, work experience, and education and training are the principal offerings.

Nonetheless, the chart also identifies the many distinctions between the two programs. First is the difference between the programs themselves, as detailed in the next section.

CHART 1.2

## KEY FEATURES OF THE OPTIONS AND BET PROGRAMS

Feature	Common to Both Programs	Options/Baltimore	BET/Wicomico County
Operating Environment	N/A <sup>a</sup>	Major urban areas with 1980 population of 783,320; economic base of heavy manufacturing industry	Largely rural county with 1980 population of 64,540; economy centers on food and other processing plants
Target Group	New WIN mandatories; both applicants and recipients; AFDC and AFDC-U	Good public transportation Excludes volunteers	No public transportation Includes volunteers
Program Scale	N/A	Plan calls for provision of services to 1000 participants in "active" components over one year; figure represents approximately one-seventh of all new WIN mandatories in city	Plan calls for provision of services to all WIN mandatory clients in county (approximately 500 new registrants per year)
Program Operator	CETA/JTPA prime sponsor	Office of Manpower Resources	Training and Employment Office
Relationship to WIN	N/A	Replaces WIN for experimentals Operates alongside of WIN in Baltimore	Replaces WIN active components
Components and Sequencing	Same array of components: job search, work experience, education and training, OJT	No fixed sequence of activities	Clients participate in Job Club assignment prior to other components
Program Staff Functions	N/A	Assessment and monitoring (actual services delivered through other OMR programs)	Assessment and monitoring direct delivery of other services

NOTES: <sup>a</sup> N/A indicates not applicable.<sup>b</sup> Job Search is the only activity in which applicants may be required to participate before they are accepted for public assistance.

The Options Program is contractually obligated to serve 1,000 enrollees a year.<sup>4</sup> In 10 Baltimore income maintenance offices (about half of the city's offices), all those eligible for Options -- that is, new WIN-mandatory applicants to welfare and those newly determined to be mandatory -- who live in the areas served by these offices are randomly assigned to Options or a control group, which is referred to the regular WIN Demonstration Program. Thus, while this evaluation can point to lessons about the ability of a large manpower agency to serve a new WIN-mandatory welfare population, it cannot speak to the feasibility of the Options model, were it to be implemented for all eligible individuals on a city-wide basis. Nor can the results -- particularly those of recipients -- be generalized to all individuals in the mandatory caseload, since the research sample is not a representative subsample of that caseload.

BET, unlike Options, was designed to "saturate" the entire Wicomico County caseload of new WIN-mandatory individuals -- that is, to provide services to all suitable candidates (who were expected to number approximately 500 over the course of a year). BET was also authorized to serve volunteers, a group excluded from Options in order to reserve the relatively limited number of slots for a rigorous test of the program's impact on mandatory cases. Finally, although early program planning documents are unclear as to whether BET was expected to serve those who were already mandatory when the program began, BET staff have elected to provide services to these people as well.

While Options and BET offer enrollees the same employment services, the structure and sequence of these services differ. As just described, the Options model does not specify a fixed sequence of components; in



contrast, the BET Program mandates that all registrants participate in three weeks of group job search as their first activity. This decision was reached by officials of the BET sponsoring agency for two interconnected reasons. First, these officials believed that the labor market was a better test of a person's immediate employability than staff judgments. Second, this early screen would allow the program to reserve resources for those who, by virtue of their inability to find jobs, could be assumed to need extra assistance.

The BET model does allow for a greater degree of individualization once enrollees have completed job search. At this point, those who have not been successful in their search and remain in the program may be assigned, according to their needs and preferences, to work experience full-time (for 13 weeks as in Baltimore), education, or institutional or on-the-job training. Unlike Baltimore, where the participation requirement is ongoing, individuals who have participated in job search and one other activity may then be removed from the program, or deregistered. This does not necessarily signal the end of their program involvement, however, since they may be called in for additional counseling, job referral or other job-finding efforts.

As in Baltimore, BET participants receive a weekly stipend (in this case, \$25) to reimburse the expenses they incur while in program components. Child care is provided by Title XX, and specific program funds are available for in-home care while participants take part in job search. Travel to the program offices or a worksite, however, frequently poses a major problem, since Wicomico County lacks public transportation. A van is occasionally used for transportation to job search activities, but no such

service is available to participants in work experience and education or training programs.

The programs differ in two other respects. First, as noted earlier, the components in which Options enrollees participate are run by other units within the Office of Manpower Resources. In contrast, BET staff directly operate the group job search component and are responsible for developing work experience positions, assigning enrollees to them, and monitoring their participation. (Educational and training services are, however, delivered by outside providers.) Second, the welfare populations of the two areas differ significantly, as later chapters will discuss.

#### C. Program Settings

Chart 1.3 points out the many differences between the areas in which the Options and BET Programs operate. Baltimore is a major urban center -- the 12th largest city in the country in 1984, according to the Census Bureau. Its population of 764,000 is 56 percent non-white, and the city's poverty rate, at 19 percent, is two and one-half times that of the state as a whole. Median household income in 1980 was \$12,811, or 63 percent of the statewide average.

Wicomico County, with Salisbury as its county seat, is largely a rural area, where much of the economy centers on the processing of farm products. Its population is predominantly white, and both the proportion of people living below the poverty level and the median household income more closely approximate those for the state as a whole than do the corresponding Baltimore figures.

CHART 1.3

## SELECTED CHARACTERISTICS OF MARYLAND

Characteristic	Baltimore	Wicomico County	Statewide
Median Income (\$) <sup>1</sup>			
Family <sup>a</sup>	15721	18446	23112
Household <sup>b</sup>	12811	15818	20281
Percent of Families Below Poverty Line <sup>2</sup> (1979)	18.9	9.0	7.5
Percent Non-White <sup>3</sup>	56.2	22.6	25.1
Annual Welfare Caseload <sup>4/c</sup>			
1980	44840	1034	73499
1981	45927	1156	78242
1982	43174	1189	73841
1983	41210	1088	70249
1984	41484	1017	70911
Average Unemploy- ment Rate (%) <sup>5/d</sup>			
1983	9.3	8.7	8.9
1984	7.6	8.7	5.4

SOURCES: <sup>1</sup> Summary of Economic Characteristics, Maryland 1980 Characteristics of the Population. U.S. Department of Commerce, Bureau of Census. Washington, D.C.: U.S. Government Printing Office, 1980.

<sup>2</sup> Ibid.

<sup>3</sup> Race by Sex, Maryland 1980 Characteristics of the Population. U.S. Department of Commerce, Bureau of Census. Washington, D.C.: U.S. Government Printing Office, 1980.

<sup>4</sup> "Department of Human Resources' Annualized Statistical Report, Fiscal Year 1979-1983", Baltimore, Maryland.

<sup>5</sup> "Civilian Labor Force, Employment and Unemployment by Place of Residence, 1983, 1984." State of Maryland, Department of Employment and Training, Research and Analysis.

NOTES: <sup>a</sup> "Family" is defined as a householder and one or more persons living in the same household who are related to the householder by birth, marriage, or adoption.

<sup>b</sup> "Household" is defined as all the persons who occupy a housing unit.

<sup>c</sup> Welfare Caseload includes both AFDC and AFDC-U assistance categories.

<sup>d</sup> Unemployment rate is not seasonally adjusted.

From 1980 through 1982, Maryland's unemployment rate mirrored national recessionary trends, climbing in the months before the start of this study and thereafter declining to 1979 levels. Unemployment also went down in the two study areas, although in both it remained higher than in the state as a whole.

After reaching a five-year high of 78,200 in 1981, the Maryland AFDC caseload fell during the next two years, largely as a result of the new federal eligibility rules introduced by OBRA. It then rose again to 70,900 cases in 1984. The Baltimore caseload followed the state's pattern. In contrast, in Wicomico County, caseloads remained high through 1982 and declined steadily through 1984.

All these differences suggest that contextual factors are important to consider in examining the rates of program participation in the two Employment Initiatives.

#### D. Evaluation Design

The evaluation of the two Maryland programs is part of MDRC's Demonstration of State Work/Welfare Initiatives, which examines the implementation, impact and cost-effectiveness of several major AFDC employment programs operated by a number of states in response to the 1981 OBRA legislation. In addition to Maryland, such studies are under way in Arkansas, California, Illinois, Maine, New Jersey, Virginia and West Virginia. A separate implementation study of on-the-job training programs partly financed by grant diversion is also being conducted in several states, as well as a management study of one state's initiatives for the welfare population.<sup>5</sup>

MDRC's evaluation in Maryland includes three types of analyses: process, impact and benefit-cost. Chart 1.4 summarizes the questions, the methodology and data sources of each, while the following sections briefly describe the analyses.

### 1. The Process Analysis

The process analysis examines the operations of the Employment Initiatives and identifies the factors that facilitate or constrain program implementation. The analysis has two main parts. The first presents an in-depth description of the content and administration of the program models, highlighting the major activities and management procedures. Most of this line of inquiry was pursued in the first study. This report concludes that analysis, also presenting a more complete examination of the findings from a survey of 54 participants and supervisors at the work experience worksites.

The second part of the process analysis tracks and explains the movement of individuals through the program, examining the participation rates of a larger sample followed for a longer period. Also in this report, certain critical questions are addressed for the first time: the proportion of the caseload to remain in Options and BET without participating, and caseload "coverage" at given points in time.

### 2. The Options Program Impact Study

The impact study, a primary focus of this report, addresses a number of questions about the program effectiveness of the Baltimore Options Program: Does the model have short- or long-term impacts on enrollees' employment and earnings, receipt of welfare or the size of their benefit checks? Do the impacts vary across different subgroups of the AFDC

CHART 1.4

MARYLAND

DESIGN FOR THE EVALUATION OF EMPLOYMENT INITIATIVES

Research Component And Questions	Methodology	Data Sources	Reports <sup>a</sup>
<p><u>IMPACT ANALYSIS</u> (Baltimore)</p> <p>Does the OPTIONS Program result in an increase in employment and earnings and/or a reduction in welfare dependency and benefits?</p> <p>Do impacts vary for groups with different prior employment and welfare dependency?</p>	<p>Comparison of the employment and AFDC outcomes over time for AFDC applicants and recipients randomly assigned to the experimental program or to a control group eligible for regular WIN services.</p>	<p>Uniform client characteristics collected at program enrollment</p> <p>AFDC payment and unemployment insurance earnings files</p> <p>Program administrative records</p>	<p>Second</p>
<p><u>BENEFIT-COST ANALYSIS</u> (Baltimore)</p> <p>To what extent does the OPTIONS Program lead to an increase in direct (budget) expenditures?</p> <p>Do program benefits exceed or fall below costs?</p>	<p>Estimation of the increment in operating costs (including administrative costs and payments to institutions and to participants for work-related expenses) for experimental compared to the control group</p> <p>Estimation of the net present value of the state initiative by comparing additional costs and benefits</p>	<p>State and local budgets, data on special payments, and studies of staff time allocation</p> <p>Cost data, program administrative records, impact estimates, and value of output estimates from the study of work experience workites</p>	<p>Second</p>
<p><u>PROCESS ANALYSIS</u></p> <p><u>Participant Flow Study</u> (Baltimore and Wicomico Counties)</p> <p>What is the pattern of program participation and what factors explain observed differences?</p> <p>Is participation mandatory and do participation rates vary for different subgroups of the population?</p> <p>What is the content and administrative structure of the demonstration program?</p> <p><u>Workites Study</u></p> <p>What is the quality of the work experience workites? Do they develop employability and provide social benefits?</p>	<p>Analysis of the pattern of program assignment, participation, and deregistration</p> <p>Study of the interaction between participation pattern and program design, institutional arrangements, administrative practices, and other conditions</p> <p>Study of program components and staff decision making</p> <p>Analysis of the characteristics of program workites: do they develop job skills? do they provide useful goods and services? do they provide psychological benefits?</p>	<p>Program administrative records, including status, outcome, and participation data obtained through ESARS</p> <p>Systematic observation, case file studies, interviews with program staff and participants</p> <p>Systematic observation, interviews with program staff, program administrative records</p> <p>Surveys conducted with supervisors and participants at a random sample of 50 workites</p>	<p>First/Second</p> <p>First/Second</p>

NOTE: <sup>a</sup> The first report refers to the Interim Findings from the Maryland Employment Initiatives published in February 1984; the second report refers to this report.

population -- for example, between recent applicants and longer-term recipients, or between those with and without recent employment experience? (It should be noted that the size of the AFDC-U recipient sample was too small to measure impacts with any degree of confidence for either the whole sample or any subgroups.)

To explore these and other questions, this study uses an experimental design. At the time individuals applied for welfare or were newly determined WIN-mandatory, all those eligible were randomly assigned to one of three groups:

- An experimental group offered special services in the Options Program; or
- A control group, which was referred to the regular WIN Demonstration Program; or
- A non-research group established because the number of eligibles who would not be referred to Options exceeded the sample size requirements needed for the control group in the evaluation. Like the controls, members of this group were referred to WIN.

Random assignment ensures that experimental and control group members are similar in all characteristics except services received. Thus, any statistically significant differences in behavior should result from differences in program treatment. Impacts are estimated by comparing the welfare and employment outcomes of the experimental and control groups.

The main Baltimore research sample consists of 3,172 welfare applicants and recipients, who were randomly assigned between November 15, 1982 and the end of December 1983. Follow-up data on employment and earnings for all sample members were collected through December 1984 and data on welfare receipt through March 1985. Organization of the data permitted the employment and welfare receipt of the latest sample members to be tracked

for a minimum of 12 months after random assignment, while the experiences of the earlier entrants were followed for at least 24 months.

### 3. The Benefit-Cost Analysis

The third part of the research study is a benefit-cost analysis. This study assesses the net costs and benefits of operating the Options Program as compared to the regular WIN Demonstration Program in Baltimore. In this analysis, net benefits result primarily from any increases in earnings and reductions in welfare benefits found in the impact analysis and extrapolated over five years. Benefits and costs are analyzed from the points of view of program experimentals, taxpayers and society as a whole.

### 4. The Research Sample

MDRC's two studies on the Maryland program -- the first report and this final analysis -- use two overlapping but different research samples. The first report focused on the 626 experimentals who were assigned to the Baltimore Options Program and the 358 people enrolled in the Wicomico County BET Program through March 1983. This report extends the intake period through December 1983 and in so doing includes 1,568 experimentals in Baltimore and 502 program enrollees in Wicomico County. In addition, this report follows the Baltimore control group, as well as the experimentals, in order to compare outcomes for those eligible and ineligible for program services.

### E. Key Findings From the First Report

MDRC's first report on the Employment Initiatives focused on their operational feasibility and implementation through mid-1983. It gave an early picture of participation and described the nature and quality of



services.

The report found that both programs were smoothly implemented, without major administrative or other obstacles. This ease of implementation was probably achieved largely because of the previous experience of staff in running programs for the disadvantaged and the intensive pre-program training for staff.

Despite differences in design, the two programs attained quite similar participation rates during this early period. Overall, 43 percent of those who registered for Options had participated in a program activity within three months of entry, as did 48 percent of BET registrants. Participation also increased over time. In both programs, job search and work experience were the most frequently assigned components.

Also at both sites, significant numbers of registrants were placed in long-term holding (deferral) status and effectively excused from program participation. Some of these individuals had health, family or (in Wicomico County) transportation problems. Others were already enrolled in educational programs or held part-time jobs, and in these instances, staff had decided not to impose additional participation requirements.

While staff in both programs believed that a participation requirement was fair, they tried to ensure that it was humanely administered. They were reluctant to initiate sanctions before all other measures to deal with the noncompliant individuals were exhausted, and they did not sanction individuals who refused offers of low-paying or otherwise unattractive jobs.

A preliminary analysis of the first 30 interviews with worksite participants and their supervisors was presented in the first report. It found

that the jobs were seen by supervisors as important and not "make-work." However, while jobs also required an intermediate number of skills, substantial skills development did not occur because most participants were judged as adequate when they began the job. Almost all participants expressed satisfaction with the jobs, and about half thought it was fair to work for their benefits.

This report expands on the worksite analysis presented in the first report by examining responses from the total sample of 54. The basic findings of the first report are confirmed. Participants agreed that the jobs were important to the agency, and almost all expressed satisfaction with them. While the majority believed it was fair to work in exchange for their benefits, a sizable minority (38 percent) were dissatisfied with having their benefits tied to the job. Almost all (52 of the 54) saw the agency as getting the better end of the deal when they compared the usefulness of their work to the amount of money they received in benefits, although some participants may have confused their weekly stipends with the grant payments. Appendix A describes the worksite study and findings in greater detail.

#### F. The Current Report

As this chapter suggests, the evaluation of the Maryland Employment Initiatives seeks to provide answers to a broad range of questions about the feasibility, impact, cost-effectiveness and targeting of programs offering employment services to welfare recipients. Among the main questions are:

### Process Study

- Were the Employment Initiatives Programs able to expand the reach of employment services to a broad segment of the eligible caseload?
- What were the resulting participation rates and related operational performance indicators?
- What were the rates of participation in each of the principal components: job search, work experience, and education and training? Did these differ among important subgroups of program enrollees?
- For individuals who entered unpaid work experience, was the work requirement viewed as fair? Did the positions foster the employability and skills development of participants? Were participants satisfied with their jobs?

### Impact Study

- How effective was the Baltimore Options Program in increasing employment and earnings, and reducing welfare receipt and payments?
- Within the Baltimore sample, which of the main subgroups experienced the larger impacts: the AFDC applicants or recipients? Those with more or less recent work experience?

### Benefit-Cost Study

- How did the measurable benefits of the Options Program, relative to those of WIN, compare to net program costs?
- How were gains and losses distributed among the targeted welfare population, the taxpayers and society at large?
- What individual benefits and costs were most important to the overall results?

This report primarily deals with the evaluation of the Baltimore Options Program covered in the next five chapters. Chapter 2 presents the research design, sample and data sources. Chapter 3 describes the environment of the evaluation, discussing some of the problems inherent in analyzing participation patterns and impacts. Chapter 4 contains an overview of the flow of Options Program enrollees and a series of perfor-

mance indicators summarizing participation. Chapter 5 covers short-term employment and welfare outcomes of the AFDC sample, along with estimates of the longer-term program accomplishments and findings on the principal subgroups, including the AFDC-U assistance category. Findings on the benefits of the program relative to costs are discussed in Chapter 6. Chapter 7 turns to Wicomico County, examining the characteristics and participation patterns of BET enrollees. Conclusions are presented in Chapter 8. Appendix A contains the findings of the survey of work experience participants and their supervisors.

## CHAPTER 2

### THE OPTIONS RESEARCH DESIGN AND SAMPLE

This chapter discusses the research design and analytical techniques used in the process, impact, and, to a lesser extent, the benefit-cost studies for the Options Program. It describes the characteristics of the experimental sample and discusses the data sources used in all three analyses. Chapter 6 will provide a more complete discussion of the benefit-cost methodology and data sources. The Wicomico sample will be treated separately in Chapter 7.

#### A. The Research Design

As noted in Chapter 1, a primary aim of this study is to isolate the impacts of the Options Program through the use of an experimental research design. All AFDC (mostly female) and AFDC-U (primarily male) applicants and recipients eligible for Options were randomly assigned to one of three groups: an experimental group, which received Options services; a control group, assigned to the WIN Demonstration Program (i.e., regular WIN); or to an extra non-research group. In the impact analysis, the employment rates, earnings, welfare receipt and benefit payments of the experimental and control groups were tracked and compared over a period of time.

##### 1. Eligibility for the Research Sample

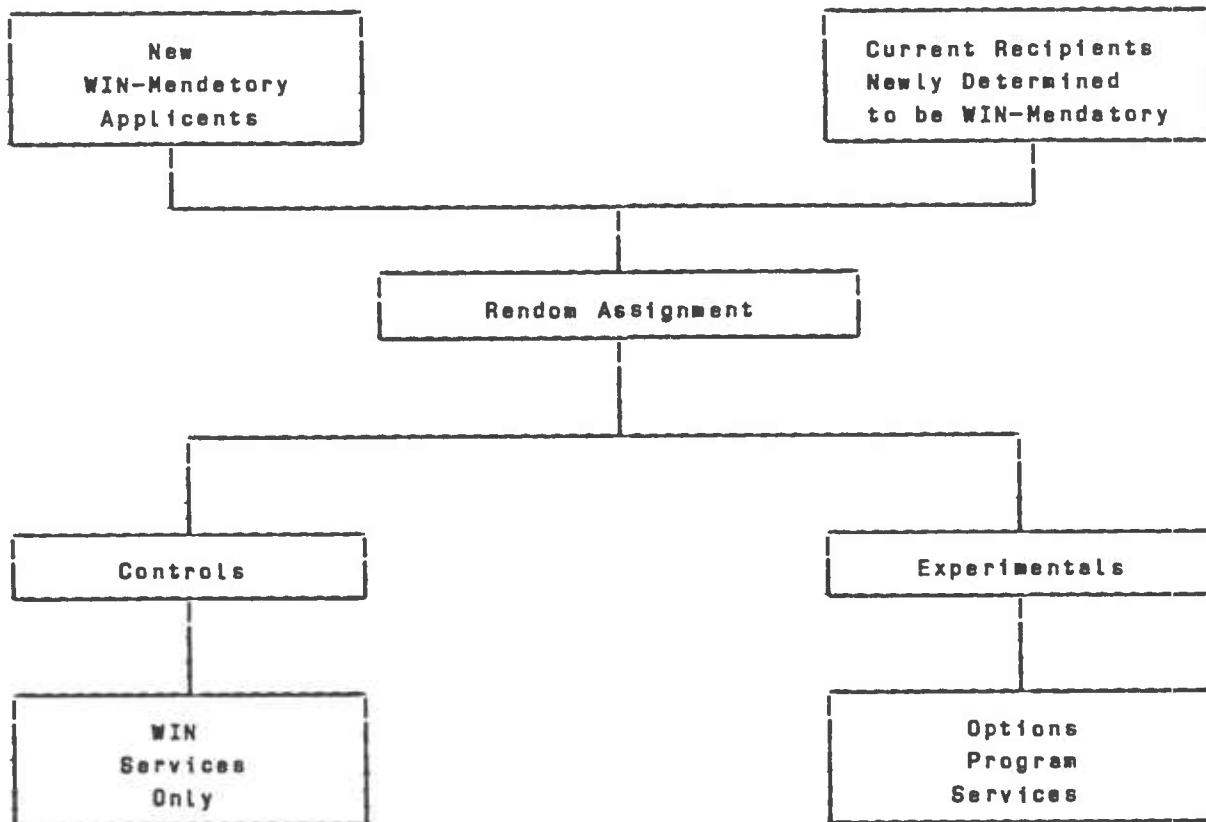
In Maryland, as in many states, individuals applying for or receiving AFDC are usually exempt from WIN registration if they have a child below school age.<sup>1</sup> Conversely, if all of their children are six or older, they

are usually considered "mandatory" -- in other words, they must register with WIN<sup>2</sup> as a condition of welfare receipt. Recipients become mandatory if their family or other circumstances change so that they are no longer exempt from WIN registration. In Baltimore, all WIN-mandatory AFDC and AFDC-U applicants and all recipients who are newly determined WIN-mandatory can be included in the research sample as long as they live in the targeted areas of the Options Program (see Figure 2.1). The 10 income maintenance offices serving those areas are half the offices in the city of Baltimore.

The population eligible for Options is not typical of the city-wide welfare caseload. Rather than randomly assign the existing mandatory caseload into a limited number of program openings, Options adopted a different strategy -- one mimicking the long-run or "steady state" intake system that would probably prevail after an extended period of program operations. Options chose, like WIN, to register individuals at the point they become mandatory. Persons already mandatory before the program began were not eligible for Options.

The Options research sample therefore consists of two subpopulations of the current welfare caseload: applicants determined mandatory at the point of welfare application, and recipients newly determined mandatory. Since the recipient portion of the Options eligible group includes mostly mothers whose youngest pre-school child has just become school age, this may itself constitute the removal of a significant barrier to employment for single parents. This characteristic especially distinguishes Options recipients from a random cross-section of current Baltimore mandatory recipients. The Options applicant sample, in contrast, is more typical of the mandatory applicant caseload in Baltimore.

FIGURE 2.1  
BALTIMORE RESEARCH DESIGN



## 2. Random Assignment

As seen in Figure 2.1, eligible individuals were randomly assigned at the point when they either applied for welfare or were newly determined mandatory. Because it was not possible to offer Options services to all those eligible, many who were not needed for the control group were assigned to an "extra" non-research group, which, like the control group, received only regular WIN Demonstration Program services. Youths on a parent's case, aged 16 and 17, who normally become WIN mandatory when they drop out of school, were automatically assigned to the non-research group. Options staff did not want to expend resources on individuals who would leave the program at age 18.

Random assignment was carried out by income maintenance workers, in the case of new applicants, and by WIN staff for recipients newly determined mandatory. Staff telephoned an MDRC data clerk who consulted a list of random numbers to make the assignment. The process, begun on November 15, 1982 and continuing through December 1983, went smoothly.

As is discussed elsewhere in this report, controls for the most part received no special services, but they could receive regular WIN services. The impact analysis thus compares outcomes for the experimental group assigned to Options to those of the control group served by the WIN Demonstration Program, which in structure and services closely resembles the traditional WIN Program.

## 3. Methodological Considerations

Whether because of their own decision, staff decisions, or simply because they were off the welfare rolls too quickly to participate, many experimental group members did not use Options services. But to obtain



unbiased estimates of impacts on participants alone, it would have been necessary to single out for comparison a similar subgroup of controls who would have participated if program services had been available to them. This would have been difficult, if not impossible, because many differences, such as motivation or family circumstances, cannot be observed but are still strongly related to the fact of participation. For this reason, estimates of program impact are based on data for the whole experimental group, nonparticipants and participants combined.

The random assignment process is designed to ensure that experimental and control groups are similar in demographic and socioeconomic characteristics. Because the control and experimental groups were basically comparable beforehand, as discussed in the next section, differences during the follow-up can be safely attributed to differences in the program services they receive. To adjust for any small, pre-existing differences, as well as to improve the efficiency of the estimates,<sup>3</sup> the key impact estimates were calculated using multiple regression analysis.

Nevertheless, numerical estimates of human behavior are always subject to elements of chance and uncertainty. Because statistical tests can often rule out chance, these tests were conducted whenever appropriate. Differences between groups are "statistically significant" when there is less than a 10 percent probability of no real program effect. In the tables of this report, asterisks indicate whether differences between groups are statistically significant at the 1, 5 or 10 percent levels using two-tailed<sup>4</sup> t-tests, chi-square tests or tests of difference of proportions. Each of these significance levels indicates that there is only a one in 100, one in 20, or one in 10 chance that a given difference would have

occurred in the absence of the program.

#### 4. Size and Scope of the Research Sample

As described in Chapter 1, the sample analyzed in this report expands on that followed in the first report, which included only people randomly assigned to the experimental group between November 15, 1982 and March 31, 1983, who were generally followed for three months. As seen in Table 2.1, the sample covered in this study consists of 3,172 individuals randomly assigned through December 31, 1983; the follow-up was as long as 24 months for both the participation and impact analyses. The minimum follow-up for the total sample was 12 months.

For most of the report, the sample will be divided into two groups: those randomly assigned from November 15, 1982 to March 31, 1983 (1,063 AFDC's and 164 AFDC-U's) and others randomly assigned from April 1 to December 31, 1983 (1,760 AFDC's and 185 AFDC-U's).

A much smaller subsample is used to discuss the work experience positions and participants. In total a random group of 54 experimental participants and their supervisors were interviewed in both Baltimore and Wicomico County.

#### B. Sample Characteristics

As indicated in Appendix Table B.1, random assignment worked effectively to produce experimental and control groups that were similar in most demographic characteristics. The AFDC controls and experimentals did, however, differ significantly on two important background measures -- employment and earnings in the quarter preceding random assignment -- but these differences were controlled for in the analysis.

TABLE 2.1

## BALTIMORE

DISTRIBUTION OF RESEARCH SAMPLE MEMBERS,  
BY ASSISTANCE CATEGORY, PERIOD OF RANDOM ASSIGNMENT  
AND RESEARCH GROUP

Assistance Category and Period of Random Assignment	Total	Experimental	Control
All Assistance Categories			
November - December 1982	387	193	194
January - March 1983	840	418	424
April - June 1983	515	245	270
July - September 1983	709	344	365
October - December 1983	721	370	351
Total	3172	1568	1604
AFDC			
November - December 1982	327	185	162
January - March 1983	736	381	375
April - June 1983	463	218	245
July - September 1983	655	319	336
October - December 1983	842	332	310
Total	2823	1395	1428
AFDC-U			
November - December 1982	60	28	32
January - March 1983	104	55	49
April - June 1983	52	27	25
July - September 1983	54	25	29
October - December 1983	79	38	41
Total	349	173	176

SOURCE: Tabulations from MDRC Client Information Sheets.

The evaluation focuses on several important subgroups within the larger sample. The primary distinction is between the AFDC and AFDC-U assistance categories. Within the AFDC sample, the important division is between applicants and recipients, although, in addition, those with a more recent employment history are compared to those with less experience.

As seen in Table 2.2, the AFDC sample had an equal number of applicants and recipients. The total sample was primarily female (90 percent); the majority (approximately 70 percent) were black; almost all of the rest were white. More than half had not received a high school diploma or its equivalent. The average age in the AFDC sample was 32; half were between 25 and 34; and 14 percent were less than 25. Forty percent had never married; one-third were married and not living with a spouse; and 17 percent were divorced or widowed. Less than 10 percent were married and living with a spouse.

The degree of disadvantage among members of the AFDC sample can be seen in their substantial history of welfare dependency. Fifty-five percent had received welfare for more than two years, and only 14 percent had never received welfare before enrolling. Nevertheless, 44 percent of the sample members had held a job during the year preceding enrollment, and 28 percent in the quarter before enrollment.

Another way to gauge the level of disadvantage in the Baltimore sample is to compare it to the one followed by MDRC in the San Diego Employment Preparation Program, the other program in an urban area evaluated thus far by MDRC. Unlike the Baltimore sample, the San Diego group was composed entirely of applicants, who, as noted, are expected to have higher rates of previous employment and lower rates of previous welfare dependency.

TABLE 2.2

## BALTIMORE

SELECTED CHARACTERISTICS OF THE RESEARCH SAMPLE  
 AT THE TIME OF RANDOM ASSIGNMENT, BY ASSISTANCE CATEGORY  
 (NOVEMBER 1982 - DECEMBER 1983 SAMPLE)

Characteristic	Total	AFOC	AFOC-U
Welfare Status (%)			
Applicant	54.0	49.8	88.0***
Recipient	46.0	50.2	12.0***
Age (%)			
18 Years or Less	1.5	1.6	0.9
19 to 24 Years	12.6	12.4	14.6
25 to 34 Years	52.0	52.8	45.0***
35 to 44 Years	24.9	24.7	26.4
45 Years or More	9.0	8.4	13.2***
Average Age (Years)	32.0	31.9	33.0**
Sex (%)			
Males	18.6	10.1	87.8***
Females	81.4	89.9	12.2***
Ethnicity (%)			
White, Non-Hispanic	33.3	29.5	64.5***
Black, Non-Hispanic	65.2	69.2	32.9***
Hispanic	0.4	0.3	0.9
Other	1.1	1.0	1.7
Degree Received (%)			
None	56.9	56.4	61.4*
General Equivalency Diploma	6.9	6.8	7.7
High School Diploma	36.2	36.9	31.0**
Average Highest Grade Completed	10.5	10.5	10.3**
Currently in School (%)	10.4	11.4	2.3***
Marital Status (%)			
Never Married	36.4	40.5	3.2***
Married, Living With Spouse	18.1	8.8	94.2***
Married, Not Living With Spouse	30.1	33.5	2.0***
Divorced, Widowed	15.4	17.2	0.6***

(continued)

TABLE 2.2 (continued)

Characteristic	Total	AFDC	AFDC-U
Average Number of Children by Age			
Less Than 4 Years	0.22	0.15	0.74***
4 to 5 Years	0.09	0.07	0.28***
6 to 12 Years	1.00	1.03	0.79***
13 to 18 Years	0.53	0.56	0.35***
Average Number of Children Under 19 Years of Age	1.84	1.80	2.15***
Any Children (%) <sup>a</sup>			
Less Than 8 Years	22.3	18.8	66.2***
Between 6 and 18 Years	83.9	86.5	82.8***
Prior AFDC Dependency (%)			
Never on AFDC	17.9	13.9	50.6***
Two Years or Less	32.5	31.5	40.9***
More Than Two Years	49.6	54.7	8.5***
Average Months on AFDC During Two Years Prior to Random Assignment	12.6	13.7	3.3***
Average Months Unable to Work Due to Medical Problems in Two Years Prior to Random Assignment	1.2	1.3	0.8***
Held Job at Any Time During Four Quarters Prior to Random Assignment (%) <sup>b</sup>	47.1	44.3	69.3***
Held Job During Quarter Prior to Random Assignment (%) <sup>b</sup>	29.4	28.2	39.3***
Average Earnings During Four Quarters Prior to Random Assignment (\$) <sup>b</sup>	1774.06	1608.11	3132.58***
Average Earnings During Quarter Prior to Random Assignment (\$) <sup>b</sup>	419.03	385.13	893.21***
Average Months Employed During Two Years Prior to Random Assignment	6.2	5.5	11.3***
For Longest Job Held in Past Two Years <sup>c</sup>			
Average Hourly Wage Rate (\$)	5.05	4.79	8.23***
Average Weekly Hours	34.1	33.1	38.7***
Duration of Job (Months)	29.9	28.7	35.2**
Total Sample <sup>d</sup>	3172	2823	349

(continued)

TABLE 2.2 (continued)

SOURCE: Calculations from MDRC Client Information Sheets and the Unemployment Insurance earnings records.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> Distributions may not add to 100.0 percent because individuals can have children in more than one category.

<sup>b</sup> Calculated from Unemployment Insurance records from the State of Maryland.

<sup>c</sup> For questions concerning longest job, sample sizes are based on the number of individuals who report a longest job on the Client Information Sheet. Due to missing data for selected characteristics, these sample sizes vary from 1190 - 1240 for AFDC's and 264 - 272 for AFDC-U's.

<sup>d</sup> For selected characteristics, sample sizes may vary up to sixty sample points due to missing data.

\*Differences between assistance categories are statistically significant at the 10 percent level using a two-tailed t-test or chi-square test.

\*\*Differences between assistance categories are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\*Differences between assistance categories are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

Only 27 percent of the AFDC applicants in the San Diego program had had their own welfare case for two years or more before random assignment, but among Baltimore applicants, the figure was 36 percent, and among recipients, 74 percent. The San Diego applicants had spent an average of six months on welfare, compared to eight months for Baltimore applicants and 19 months for recipients. Levels of previous employment were slightly higher in Baltimore -- 61 percent of the AFDC applicants had held a job in the year preceding random assignment compared to 51 percent in San Diego.

Baltimore Options' sample also consisted of AFDC-U's, who were primarily applicants. It is not surprising, therefore, that this group showed less previous dependency and more previous employment than the Options' AFDC sample. Only 8.5 percent of the AFDC-U's had received welfare for two years or more, and 51 percent had never received welfare prior to sample enrollment. Almost 70 percent had held a job in the year preceding their sample entry, and 39 percent held a job in the quarter immediately preceding enrollment. Eighty-eight percent of the AFDC-U sample were males. Two-thirds were white, with the remainder almost all black. Ninety-four percent were married and living with a spouse.

Table 2.3 shows the differences between new mandatory applicants for welfare and recipients who had recently become WIN-mandatory. Among AFDC's, recipients had a much longer history of welfare receipt. On average, in the two years before enrollment, they had spent 19 months on the rolls, compared to eight months for applicants. Only 5 percent of the AFDC recipients, but 23 percent of the applicants,<sup>5</sup> had never had an AFDC case of their own. While less than 30 percent of the recipients had held a job in the year before enrollment, almost two-thirds of the applicants had



TABLE 2.3

## BALTIMORE

SELECTED CHARACTERISTICS OF THE RESEARCH SAMPLE  
AT THE TIME OF RANDOM ASSIGNMENT, BY ASSISTANCE CATEGORY  
AND WELFARE STATUS  
(NOVEMBER 1962 - DECEMBER 1963 SAMPLE)

Characteristic	AFDC		AFDC-U	
	Applicants	Recipients	Applicants	Recipients
Average Age (Years)	33.4	30.4***	33.1	32.5
Sex (%)				
Male	13.7	6.6***	68.5	82.5
Female	86.3	93.4***	11.5	17.5
Ethnicity (%)				
White, Non-Hispanic	33.7	25.3***	65.9	53.7
Black, Non-Hispanic	64.7	73.7***	31.5	43.9
Hispanic	0.4	0.3 <sup>c</sup>	0.7	2.4 <sup>c</sup>
Other	1.3	0.7	2.0	0.0 <sup>c</sup>
Degree Received (%)				
None	55.0	57.7	62.2	55.0
General Equivalency Diploma	7.1	6.5	6.7	15.0
High School Diploma	37.9	35.8	31.1	30.0
Marital Status (%)				
Never Married	30.1	50.9***	2.6	7.5
Married, Living With Spouse	11.1	6.5***	95.0	67.5
Married, Not Living With Spouse	39.3	27.6***	1.7	5.0 <sup>c</sup>
Divorced, Widowed	19.5	14.9***	0.7	0.0 <sup>c</sup>
Prior AFDC Dependency (%)				
Never on AFDC	22.6	5.2***	52.0	40.0
Two Years or Less	41.9	21.1***	41.7	35.0
More Than Two Years	35.5	73.7***	6.3	25.0***
Average Months on AFDC During Two Years Prior to Random Assignment	7.9	19.4***	2.5	9.2***

(continued)

TABLE 2.3 (continued)

Characteristic	AFDC		AFDC-U	
	Applicants	Recipients	Applicants	Recipients
Held Job at Any Time During Four Quarters Prior to Random Assignment (%) <sup>a</sup>	81.1	27.7***	72.0	50.0***
Held Job During Quarter Prior to Random Assignment (%) <sup>a</sup>	40.7	15.8***	40.4	31.0
Average Earnings During Four Quarters Prior to Random Assignment (\$) <sup>a</sup>	2577.19	641.20***	3384.98	1287.62***
Total Sample <sup>b</sup>	1407	1416	307	42

SOURCE: Calculations from MDRC Client Information Sheets and Unemployment Insurance earnings records.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> Calculated from Unemployment Insurance records from the State of Maryland.

<sup>b</sup> For selected characteristics, sample sizes may vary up to twenty-eight sample points due to missing data.

<sup>c</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\*\*\*Differences between applicants and recipients within an assistance category are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

done so. The pattern for the AFDC-U sample was similar.

Because outcomes for the early group of enrollees (November 1982 through March 1983) are used to estimate longer-term program impacts, it is important to see if these enrollees differ significantly from sample members who enrolled later (April through December 1983). In fact, the two groups were basically similar. However, among the AFDC group, there were significant differences in the number of children younger than six and in levels of previous welfare receipt. As noted in Table 2.4, 11 percent of earlier enrollees but 15 percent of the later group had never received welfare before random assignment.

The pattern was different for AFDC-U's. More later enrollees had received welfare for two or more years before random assignment -- 12.2 percent compared to 4.4 percent for the early group. The later AFDC-U group also had significantly less employment in the quarter before random assignment -- 34 percent compared to 46 percent of the early entrants.

### C. Data Sources

This report uses a number of different data sources to analyze the flow of individuals through the program, to measure employment and welfare outcomes and to estimate program benefits and costs. As indicated in Table 2.5, these sources provide varying lengths of follow-up, depending on the sample member's enrollment period. The sources are:

- Client Information Sheets (CIS) are MDRC forms that provide data on enrollees' demographic characteristics such as age, ethnicity, family composition and educational attainment, as well as information on their welfare and employment histories. The data were collected and the forms filled out at the point of random assignment. The data were then merged with information on welfare receipt, employment and program parti-

TABLE 2.4

## BALTIMORE

SELECTED CHARACTERISTICS OF THE RESEARCH SAMPLE  
AT THE TIME OF RANDOM ASSIGNMENT, BY ASSISTANCE CATEGORY  
AND PERIOD OF RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 SAMPLE)

Characteristic	AFDC		AFDC-U	
	Nov. 1982- March 1983	April- Dec. 1983	Nov. 1982- March 1983	April- Dec. 1983
Welfare Status (%)				
Applicant	47.9	51.0	87.8	88.1
Recipient	52.1	49.0	12.2	11.9
Average Age (Years)	31.6	32.0	33.6	32.5
Sex (%)				
Male	9.3	10.7	87.8	88.0
Female	90.7	89.3	12.4	12.0
Ethnicity (%)				
White, Non-Hispanic	29.5	29.5	88.7	60.7
Black, Non-Hispanic	69.8	69.0	28.8	38.8
Hispanic	0.1	0.5	1.2	0.5 <sup>c</sup>
Other	0.9	1.1	1.2	2.2 <sup>c</sup>
Degree Received (%)				
None	57.4	55.7	85.8	57.5
General Equivalency Diploma	7.3	8.5	5.0	10.1
High School Diploma	35.3	37.8	28.4	32.4
Marital Status (%)				
Never Married	41.8	39.8	2.5	3.8
Married, Living With Spouse	8.1	9.1	94.4	94.0
Married, Not Living With Spouse	33.0	33.9	2.5	1.6 <sup>c</sup>
Divorced, Widowed	17.1	17.2	0.6	0.5 <sup>c</sup>
Prior AFDC Dependency (%)				
Never on AFDC	11.4	15.4***	49.7	51.4
Two Years or Less	32.4	30.9	45.9	36.4
More Than Two Years	56.2	53.7	4.4	12.2**
Average Months on AFDC During Two Years Prior to Random Assignment	14.5	13.2***	2.9	3.6

(continued)

TABLE 2.4 (continued)

Characteristic	AFDC		AFDC-U	
	Nov. 1982- March 1983	April- Dec. 1983	Nov. 1982- March 1983	April- Dec. 1983
Held Job at Any Time During Four Quarters Prior to Random Assignment (%) <sup>a</sup>	43.3	44.9	70.1	88.6
Held Job During Quarter Prior to Random Assignment (%) <sup>a</sup>	27.0	28.9	45.7	33.5**
Average Earnings During Four Quarters Prior to Random Assignment (\$) <sup>a</sup>	750.37	806.26	1359.63	1214.37
Average Earnings During Quarter Prior to Random Assignment (\$) <sup>a</sup>	358.43	401.25	790.94	606.58
Total Sample <sup>b</sup>	1083	1780	164	185

SOURCE: Calculations from MORC Client Information Sheets and Unemployment Insurance earnings records.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> Calculated from Unemployment Insurance records from the State of Maryland.

<sup>b</sup> For selected characteristics, sample sizes may vary up to twenty-five sample points due to missing data.

<sup>c</sup> Chi-square test inappropriate due to low expected cell frequencies.

\*\*Differences between periods of random assignment within an assistance category are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\*Differences between periods of random assignment within an assistance category are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

TABLE 2.5

## BALTIMORE

LENGTH OF AVAILABLE FOLLOW-UP BY DATA SOURCE AND PERIOD OF RANDOM ASSIGNMENT  
[NOVEMBER 1982 - DECEMBER 1983 SAMPLE]

Data Source	Last Date Data Are Available	Point at Which Date Starts to Be Collected	Length of Follow-Up by Period of Random Assignment	
			November 1982-March 1983	April-December 1983
ESARS <sup>a</sup> Program Tracking	December 1984	Date of Random Assignment	Twenty-One Months	Twelve Months
Quarterly Employment and Earnings b/c	Fourth Calendar Quarter of 1984	Four Quarters Prior to Random Assignment	Seven Quarters After Random Assignment	Four Quarters After Random Assignment
Monthly Welfare Grant d	February 1985	Month of Random Assignment	Twenty-Four Months	Fifteen Months
Monthly Unemployment Insurance Benefits	January 1985	January 1983	Twenty-Five Months	Sixteen Months

NOTES: <sup>a</sup> ESARS stands for the Maryland Employment Service Automated Reporting System.

<sup>b</sup> Employment and earnings data are based on Unemployment Insurance earnings records which report earnings on a calendar quarter basis.

<sup>c</sup> Calendar quarter of random assignment is not considered to be a follow-up quarter for employment and earnings for the Options evaluation.

<sup>d</sup> The first month of follow-up for welfare grant payments includes the month in which an individual is randomly assigned.

cipation in the final analysis file. Data quality was generally good.<sup>6</sup>

- Maryland State Unemployment Insurance (UI) Earnings Records provide measures of quarterly earnings reported by calendar quarter: e.g., January, February and March; April, May and June. These data were the best available source to measure employment and earnings, but, as with most sources, they posed some difficulties.

First, because of the reporting lags typical of the UI wage reporting system, data were available for only five quarters for the entire sample. Second, the use of quarterly data meant that there were varying lengths of follow-up, depending on whether an individual applied for welfare during the first, second or third month of the calendar quarter. Third, even for existing data, there could be some underreporting -- for example, because of employers failing to report earnings or people moving out of state. Finally, in Maryland, employers of agricultural workers on small farms and of domestic workers paid less than \$1,000 in a quarter (an occupational category of relevance to this population) are not required to report earnings to the UI system. Thus, UI data do not necessarily cover all employment in the research sample.

Since all these factors should have affected experimental and control group members equally, there is no reason to believe they inflated employment and earnings outcomes for experimentals relative to those of controls. Underreporting of UI earnings can, however, affect findings on program costs relative to benefits.<sup>7</sup>

- AFDC records supply information on monthly AFDC grants obtained directly from the state. This study uses data on the amount of the basic AFDC grant as well as data on the amount of supplemental payments.<sup>8</sup> There are no data on sample members' receipt of Food Stamps and Medicaid.

Because UI data are reported by quarter, MDRC aggregated monthly AFDC data by three-month periods, where the first month of the first quarter of follow-up was the month of enrollment. For the first group of entrants (November 1982 - March 1983), there are eight quarters of follow-up for AFDC payments. For the entire sample including the April - December 1983 entrants, there are five quarters of AFDC follow-up.

When AFDC data are matched to CIS and UI data, some inaccuracies, due either to incomplete data entry or inability to match records, can be expected. Yet this source of error should not differ across research groups and should therefore

not be a source of bias for the impact estimates. Furthermore, there were very few instances in which errors resulted in inability to match welfare records to other records.<sup>9</sup>

- ESARS (Employment Services Automated Reporting System) provides information on program participation and deregistration. The ESARS system does not cover information on assignment to activities and measures participation as attending three days of the activity. Thus, it is not possible to distinguish between those who dropped out on the fourth day of an activity and those who completed it.<sup>10</sup>

The four main data sources were supplemented by two smaller studies using small subsamples of the research sample:

- Worksite study. A subset of enrollees who participated in work experience between June 1983 and April 1984 and their supervisors were interviewed by a Maryland-based MDRC field researcher who used a standardized survey instrument. Interviews lasted about 45 minutes for participants and almost an hour for supervisors. Responses from 54 participants and their supervisors were tabulated. Of the 54 interviews, 38 were conducted in Baltimore and 16 in Wicomico County.
- Case File Study. This study, administered by MDRC in Baltimore, examined a random subsample of 76 AFDC and AFDC-U cases, who were randomly assigned between January and March 1983, registered with Options within three months of random assignment and were not immediately assigned to a long-term holding status. The purpose of this study was to obtain a broad range of information on the program experiences of sample members: their assignment to activities; noncompliance, if any; staff follow-up of noncompliance, and the results of this follow-up.



## CHAPTER 3

### ENVIRONMENT OF THE EVALUATION

The central question of the impact evaluation is: What has the Baltimore Options Program accomplished? Put another way: How much did it influence and change the work and welfare behavior of the people exposed to it? To answer this question, it is first necessary to understand what would have happened to these individuals without the special provision of Options Program activities.

This chapter will place Options operations in the context of recent Maryland welfare policy, state and federal eligibility regulations, and normal AFDC and AFDC-U caseload behavior. The chapter begins by defining the two important subgroups of the Options research sample: AFDC applicants to welfare, classified mandatory; and AFDC welfare recipients, newly determined mandatory. It will then provide some necessary details on the process of registration and deregistration -- and the relationship of the two to a person's tenure on welfare. The chapter concludes by tracing the typical mix of work and welfare among AFDC applicants and recipients, as well as the AFDC-U's, in the absence of Options Program services (i.e., the behavior of control group members). This sets the standard against which the participants' performance and the impacts of the Options Program are judged.

#### A. The Caseload: Applicants and Recipients

Total AFDC and AFDC-U grant expenditures in Maryland amounted to \$208

million in fiscal year 1984, \$7.6 million of which was directed to AFDC-U recipients.<sup>1</sup> Some 59 percent of the state's AFDC and AFDC-U cases reside in Baltimore, but not all of the city's caseload is subject to participation in Options activities. For example, at any one time, about 60 percent of the AFDC case heads can claim exemption from mandatory WIN status because they have a child less than six years of age,<sup>2</sup> and some other exemptions are also permitted. Moreover, Options' capacity, 1,000 program slots per year, limited the number the program would serve.

The principal, if obvious, difference between applicants and recipients stems from their grant status. Recipients already receive welfare when they register in the Options Program; applicants do not, and some will never be approved for welfare simply because they do not meet state and federal AFDC eligibility guidelines. Equally important, recipients are often in the midst of a long spell of welfare receipt, whereas approved applicants are only beginning a spell. Many applicants are "short stayers;" even without special employability services, they will leave the rolls within a year or two. But there are fewer short stayers among recipients in general and particularly among the group of recipients eligible for Options, who were newly determined mandatory because their youngest child had recently turned six. The recipient sample contains a larger proportion than the applicant sample of individuals who will be dependent on welfare for an extended period of time.

Consequently, applicants and recipients in this analysis are two quite separate and distinct subgroups of program registrants.<sup>3</sup> Each has different demographic characteristics and histories of welfare and work, and each may thus be affected in quite different ways by the program. The separate

analysis of Options' effects on applicants and recipients will be a major theme of this study, and, wherever warranted and feasible, findings for the two samples will be presented separately and compared.

B. Benefit Levels and OBRA Eligibility Rules

Two factors were important in shaping welfare and employment patterns in Baltimore during the evaluation. First, benefit levels were near the median for the nation as a whole. During the period of sample build-up (1982 and 1983), Maryland's maximum grant payment for a four-person family ranked 30th in the nation.<sup>4</sup> Under the regulations in effect on October 1, 1982, a mother with one child could receive a maximum monthly payment of \$230. Three children brought the payment to a maximum of \$355. The national averages for these family sizes in 1982 were \$266 and \$378, respectively. To put this in context, a minimum-wage job at 35 hours per week would yield \$508 per month. Thus, maximum welfare grants did not approach the earnings that could be generated by full-time employment, even at low wages.

Second, the state standard of need was about 25 percent higher than the maximum grant level. This is important because federal law enacted under OBRA based AFDC eligibility in part on each state's standard of need. Under OBRA, only families with incomes under 150 percent of a state's standard of need were eligible for aid. Thus, in Maryland, some earnings were allowed for an AFDC recipient before automatic case closure, but the leeway was less than in states with higher need standards. For example, heads of one-child families who worked full-time in Maryland, even at the minimum wage, would become ineligible, but some part-time low-wage workers

might still collect welfare, especially since their grant reductions could be partially offset by deductions from gross earnings for work-related expenses and child care.

The benefit level, standard of need and OBRA eligibility regulations all interact with local labor market conditions to determine the character of an area's AFDC caseload. Thus, in Baltimore, one might expect to find a sizable portion who have worked in the past and are capable of obtaining employment without special assistance. In fact, among AFDC applicants in the Options impact sample, 61.4 percent recorded some UI earnings during the year before entering Options. Yet, even with this work record, more than 90 percent of the applicant sample qualified for and received some welfare payments during the follow-up period. Some may have interspersed periods of employment with episodes of welfare, and a small fraction worked and received welfare at the same time. Among AFDC recipients in the Options sample, the year-prior employment rate was 27.8 percent, lower because of that subgroup's greater dependency, but still suggesting an appreciable mix of work and welfare over time.

For AFDC-U's (two-parent heads and mostly male), the year-prior employment rate was 69.4 percent. But opportunities for combining work and welfare are much more restricted for this assistance category. Although the "tax rate" on earnings for AFDC-U's is statutorily the same as for AFDC's, child-care deductions from gross earnings for working heads of two-parent cases are in practice much less than for working single parents. In addition, under OBRA rules, AFDC-U case heads become ineligible if they work more than 100 hours a month. Sanctioning can also affect the receipt of welfare, since the penalty is complete case closure. (For AFDC's, only

the case head's needs are removed from the grant for the sanction period.)

Two important conclusions can be drawn. First, the research sample and the caseload in general will have a high proportion of case heads with some work history and with recent employment. Moreover, the standard of need and maximum grant levels in Baltimore are high enough so that some AFDC case heads will be able to supplement their own earnings with welfare benefits. This leads to the second conclusion: any gains in employment achieved for the AFDC's by the Options Program may only be weakly linked to case closings. The link is, however, expected to be stronger for AFDC-U's, owing to the rule differences.

Moderately high AFDC employment rates, even for controls, and a loose connection between gains in employment and welfare savings, are expectations confirmed by the findings in this report. The tighter link between employment and welfare reductions for the AFDC-U's could not be confirmed because the AFDC-U sample is too small to yield reliable estimates of employment gains. It is, however, fair to say that the nature and effectiveness of the Baltimore Options Program has been conditioned by state and national welfare rules and should therefore be judged against this statutory background. In another state with a different benefit level and standard of need, or in a pre-OBRA environment, a similar program model could produce different results.

### C. Judging Program "Success"

#### 1. Deregistration

As explained above, program registration and participation need not coincide with the start of welfare. Conversely, departure from a program,

formally called deregistration, does not necessarily imply exit from welfare. This section will discuss reasons for program deregistration and the extent to which deregistration rates can be used to judge program effectiveness.

When Options staff learn of a registrant's employment, they record that fact as a placement, a positive outcome. The case is referred back to the Income Maintenance office for a recalculation of the grant based on the new earnings level. Should the extra income result in a case closure, Options staff are notified and will remove the person from the list of registrants. (Deregistration can also occur because of sanctioning for failure to comply with program requirements.)

Despite a not infrequent connection between the three factors -- employment, case closure and deregistration -- the deregistration rate itself is an imperfect measure of operational effectiveness. For one, deregistration does not always mean employment, or a case closure, or a grant payment stopped. In fact, national studies show that most exits from welfare are not caused by employment.<sup>5</sup> Birth of a child or the return to a parent of a young child who has been living elsewhere removes WIN-mandatory status, accounting for many deregistrations. Marriage and remarriage also cause many departures.

Thus, because large numbers of deregistrations occur for reasons not connected with the services and best efforts of an employment program, these rates should not be used as measures of program effectiveness. On the other hand, the deregistration rate does not pick up some of the positive outcomes that the program does achieve. Registrants who are placed by program staff, but at jobs paying too little to allow them to

leave welfare, are not deregistered.

## 2. Caseload Turnover

As noted at the outset, to understand the Options Program's achievements, it is necessary to understand what individuals do in the absence of the program. While measurement of behavior for individuals registered in Options is straightforward -- participation levels, employment and welfare experiences can be recorded -- it is more difficult to determine what their behavior would have been had they not had the opportunity to participate. The first important task of the analyst, then, is to establish a proper behavioral benchmark against which to assess outcomes for the Options Program sample.

Establishing a valid standard for comparison is made particularly difficult by the presence of normal caseload turnover. It is well known that many recipients leave welfare without special intervention of any kind. Many people find jobs independently of program services; they marry or remarry, move out of state, or obtain child support through the courts or extra income from family members. Additionally, when the youngest child turns 18, a family becomes ineligible for support. Taken together, these various kinds of "normal exits" create caseload turnover, whereby fairly large proportions of people leave welfare each month.

These patterns of welfare egress invalidate certain measures of program performance in judging real program accomplishments. For example, the number of case closings can overstate a program's success: much of what the program seemed to accomplish would have happened anyway. Similarly, placement rates may not be too helpful because some placements recorded by staff may be jobs found without program assistance. The problem of

evaluating service programs for welfare applicants is especially acute because normal turnover is greatest for individuals who have been in the welfare system for only a short period of time.

One choice for a standard would be a typical group of people who are eligible to receive program services but do not. This was the case in this study, where a control group was selected at random from among applicants to and recipients of welfare who were determined mandatory during the research enrollment period lasting from November 1982 through December 1983. These control group members were referred to regular WIN Demonstration Program services instead of the Options Program. The process of randomization was such that each person being considered for Options stood a 50 percent chance of being assigned to the program and a 50 percent chance of being assigned to WIN. Controls could not subsequently participate in Options during the course of the experiment.

The fact that controls were selected randomly makes them similar as a group to individuals who were offered Options services. That they received only WIN services implies that their behavior should mirror closely that of the Options registrants in the absence of the program. In particular, their subsequent rates of employment and welfare exit should represent the norm for that portion of Baltimore's AFDC population who were assigned to the Options Program. Thus, the control group -- chosen at random and removed from the sequence of Options Program activities -- provides the standard, or baseline, against which to compare the performance of the program group, and these comparisons will produce estimates of program impact that automatically take natural employment and caseload turnover into account. The rest of this chapter discusses the magnitude of the



employment and the caseload turnover that typically occurs in the caseload of people receiving WIN service in Baltimore, factors which are netted out of the impact estimates.

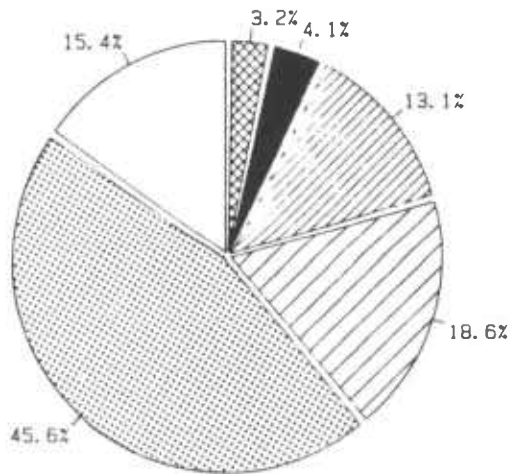
Figure 3.1 depicts normal caseload turnover for control group members in the AFDC applicant, AFDC recipient, and AFDC-U subgroups. (AFDC-U's are nearly all applicants, so that group is not divided into subgroups.) The pies in the figure show the proportion of controls in each subgroup who were receiving welfare at the start of their second year after registration. They also show the proportion employed and what proportion of those employed were still receiving welfare. Two small areas in the circles are reserved for individuals who never received welfare payments during the 15-month follow-up. (Table 3.1 presents the same statistics in tabular form as well as the employment rates for the groups who were and were not receiving welfare.)

Several important points emerge from an inspection of this figure and the accompanying table. First, when the AFDC applicant pie is considered, it is clear that two groups of individuals were able to leave the welfare system without special employability services. One group is the 31.7 percent of controls who did get approved for welfare but were not receiving assistance at the fifth quarter. Since none of this group had ever taken part in Options Program activities, this figure represents natural caseload turnover: i.e., people receiving, then leaving welfare without any special services. Another 7.3 percent of controls never received any welfare at all; a similar small group, of experimentals, if they registered for Options, were also probably deregistered as ineligible. Thus, the unassisted departure from welfare of these two groups of controls implies

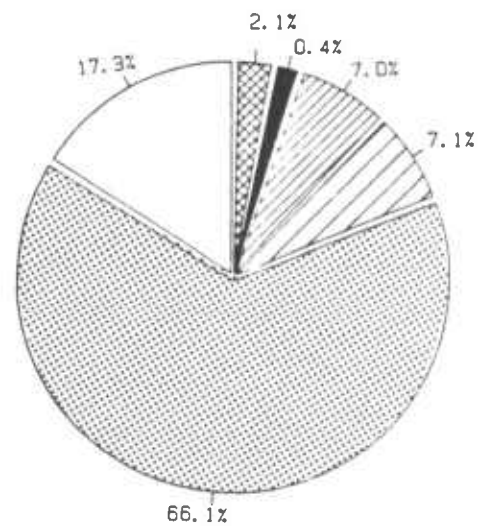
FIGURE 3.1

BALTIMORE

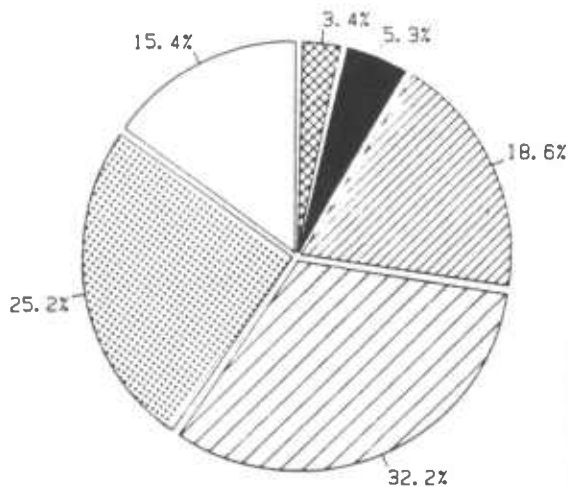
AFDC AND AFDC-U CONTROLS: EMPLOYMENT AND AFDC RECEIPT  
AT THE FIFTH QUARTER OF POST-RANDOM ASSIGNMENT FOLLOW-UP



AFDC APPLICANTS









AFDC RECIPIENTS



ALL AFDC-U

STATUS IN QUARTER 5

-  NO WELFARE QUARTERS 1-5, NOT EMPLOYED
-  NO WELFARE QUARTERS 1-5, EMPLOYED
- EVER RECEIVED WELFARE IN QUARTERS 1-5:
-  OFF WELFARE BY QUARTER 5, NOT EMPLOYED
-  OFF WELFARE BY QUARTER 5, EMPLOYED
-  STILL RECEIVING WELFARE QUARTER 5, NOT EMPLOYED
-  STILL RECEIVING WELFARE QUARTER 5, EMPLOYED

SOURCE AND NOTES: See Table 3.1.

TABLE 3.1

AFDC AND AFDC-U CONTROLS: EMPLOYMENT AND WELFARE STATUS  
AT THE FIFTH QUARTER OF POST-RANDOM ASSIGNMENT FOLLOW-UP  
(NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Assistance Category And Welfare Status <sup>a</sup>	Employment Status in Quarter Five		
	Not Employed	Employed	Total
AFDC Applicants (%)			
Never Received Welfare in Quarters 1-5	3.2	4.1	7.3
Ever Received Welfare in Quarters 1-5			
Off Welfare by Quarter 5	13.1	16.6	31.7
Still Receiving Welfare in Quarter 5	45.6	15.4	61.0
Total	61.9	36.1	100.0 (N=702)
AFDC Recipients (%)			
Never Received Welfare in Quarters 1-5	2.1	0.4	2.5
Ever Received Welfare in Quarters 1-5			
Off Welfare by Quarter 5	7.0	7.1	14.1
Still Receiving Welfare in Quarter 5	66.1	17.3	83.4
Total	75.1	24.9	100.0 (N=670)
ALL AFDC-U (%)			
Never Received Welfare in Quarters 1-5	3.4	5.3	8.7
Ever Received Welfare in Quarters 1-5			
Off Welfare by Quarter 5	16.6	32.2	50.7
Still Receiving Welfare in Quarter 5	25.2	15.4	40.6
Total	47.2	52.8	100.0 (N=171)

SOURCE: MORC calculations from State of Maryland welfare and Unemployment Insurance records.

NOTES: These data are regression-adjusted using ordinary least squares, controlling for pre-enrollment characteristics of sample members. There may be some discrepancies in calculating sums and differences due to rounding.

Numbers in parentheses indicate sample sizes.

<sup>a</sup> Monthly welfare data, which count the month of random assignment as "month one," were regrouped into quarters that exactly match UI earnings quarters. Percentages receiving welfare will therefore not precisely match other text tables.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent. The distributed differences are not, however, strictly independent.

that an equal proportion of deregistrations and case closings (39.0 percent altogether) must be discounted when judging the performance of the Options Program.

This was in fact done, because, to estimate Options impacts, the welfare receipt rate of controls is deducted from the welfare receipt rate of people in Options. A corresponding subtraction for employment rates accounts for the 38.1 percent of the applicant controls who found jobs without Options (as seen in Figure 3.1 and Table 3.1).

A similar kind of natural turnover and unassisted employment occurs for AFDC recipients. The pie for that group shows that 14.1 percent of AFDC recipient controls received some welfare initially but were off the rolls a year later. Although this rate of turnover is less than half that of the AFDC applicants, failure to account for it would overestimate the program's effectiveness in reducing welfare dependency. Again, the use of controls as a standard of comparison for recipients assigned to Options corrects for this natural turnover.

Turnover for AFDC-U's was the highest of all. Because nearly all of the AFDC-U's are applicants, their behavior might be expected to resemble that of the AFDC applicants. Yet, despite the fact that nearly as many AFDC-U's as AFDC applicants received some welfare, more AFDC-U's were off the rolls by the start of the second year: 61.0 percent of AFDC applicants received some welfare payment in the fifth quarter, but only 40.6 percent of the AFDC-U's did so.

The experience of control group members also demonstrates that working is associated with lower welfare, but that the short-run connection between employment and welfare receipt is not a rigid one and varies by subgroup.

To show this, computations (not shown in the table) were performed to determine the proportion of controls who were employed in quarter five and also received welfare in the month after that quarter. These computations showed a strong negative relationship between work and welfare for the AFDC-U's: only 22.4 percent of the AFDC-U's employed in the fifth quarter received any welfare in the month following. Among AFDC applicants, 27.7 percent of those employed received some welfare the next month. The 61.7 percent rate for employed AFDC recipients was much higher than the rate for the other two categories.

One final point is worth underscoring. Employment rates for all members of the total sample (AFDC-U's as well as the AFDC's) who were not receiving welfare at any time during quarter five were about double the employment rates of persons still receiving assistance. Yet working was by no means the only route off welfare for this sample. Between 40 and 50 percent of the AFDC controls who started on welfare and then left it were not working when they did get off. Even for AFDC-U's, that proportion was more than a third. This suggests that any global strategy for increasing the self-sufficiency of the welfare population must take into account the fact that there will be many exits from public assistance that are not associated with a person's own employment.

## CHAPTER 4

### PATTERNS OF PARTICIPATION

In this chapter, the extent to which eligible enrollees participated in the Baltimore Options Program is considered. As noted earlier, Options was funded at a level that would permit all individuals whom staff deemed appropriate to take part in employment-related activities. This was in marked contrast to the traditional WIN Program, which, although it required the registration of all mandatory welfare applicants and recipients, could place only a small proportion in program activities primarily because of funding constraints. Both central Employment Initiatives planners and the Office of Manpower Resources anticipated that most Options Program enrollees would participate, although they did not expect participation to be universal; indeed, they hoped to learn from the Options Program operating experience what level of participation could be reasonably expected.

Evidence from the first report suggested that Options' participation far surpassed that in the WIN Demonstration Program operating in areas not served by Options. That report found that 34 percent of experimentals studied in the early Options sample -- 43 percent of those registered with the program -- had taken part in a program activity within three months of random assignment. During the same period, under 2 percent of the controls assigned to the WIN Demonstration Program participated in an active component.

Three key elements in the participation analysis differ in this

report: the enrollee sample, the length of follow-up and the analysis strategy. The first report was confined to examining the participation of early enrollees (those entering the program between its inception in November 15, 1982 and the cut-off date of March 31, 1983). This report looks at a larger sample of individuals who entered the program over a longer time span -- from its inception through December 1983. The participation patterns of this sample are therefore more likely to yield an accurate picture of program performance.

Second, not only are these sample members drawn from a longer enrollment period, they are also tracked for a greater length of time. In order to produce the first report in a timely fashion, it was necessary to restrict the follow-up to three months. In this participation analysis, the majority of sample members are tracked for 12 months after program entry, while the early enrollees (those entering the program through December 1982) are followed for a full 24 months. This extended follow-up is particularly important given the open-ended nature of Options and the lengthy duration of many components.

Third, this participation analysis not only extends the analysis contained in the previous report, it moves beyond that to answer additional questions. It uses several measures of participation rather than one, and seeks to gauge the intensity of program participation. It looks at participation status at several points in time, and it also considers how the program dealt with people who did not fulfill the participation requirement.

A. Overall Indicators of Participation: Experimentals vs. Controls

As in the earlier report, the first important question is:

- What proportion of sample enrollees ever participated in the Options and WIN Programs?

Table 4.1 presents several indicators of the performance of the two research groups. The table shows that controls registered for WIN at a slightly higher rate than experimentals did for Options (87.7 vs. 84.9 percent, respectively). It is likely that the drop-off between random assignment and registration for both groups reflects, among other things, the fact that not all people who apply for assistance are accepted for welfare. Individuals who did not believe that they were going to be approved for assistance may not have bothered to register with either Options or WIN.

There were also small but statistically significant differences in the rates at which experimentals and controls found or were placed in employment, and were deregistered from, or left, their respective programs. Within the 12-month follow-up period, 16.5 percent of the experimental sample was noted as having been placed in jobs, compared to 11.5 percent of the control group. During the same period, 42.7 percent of the experimentals were deregistered from Options, while 46.6 percent of the controls were deregistered from WIN.

It should be noted, however, that while employment programs frequently use placement rates to gauge success, these rates should be viewed with caution since they reflect only employment that comes to the attention of



TABLE 4.1

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TWELVE-MONTH PERFORMANCE INDICATORS FOR THE RESEARCH SAMPLE,  
BY RESEARCH GROUP  
(NOVEMBER 1982 - DECEMBER 1983 AFOC AND AFOC-U SAMPLE)

Performance Indicators	Experimental	Control
Registration Rate <sup>a</sup>	84.9	87.7**
Participation Rate		
Any Active Component	44.5	3.4***
Job Search <sup>b</sup>	25.0	2.0***
Work Experience <sup>c</sup>	17.0	0.7***
Education and Training <sup>d</sup>	16.6	1.0***
Placement Rate	16.5	11.5***
Overregistration Rate	42.7	46.8**
Sample Size	1568	1804

SOURCE: Calculations from the Maryland Employment Service Automated Reporting System.

NOTES: All performance indicators are calculated as a percentage of the total number of individuals in the indicated research group.

Participation is defined as attending any activity for at least three days.

<sup>a</sup>Registration rate refers to the percent of experimentals who registered with Options and the percent of controls who registered with WIN.

<sup>b</sup>Job Search includes Individual Job Search and Group Job Search.

<sup>c</sup>Work Experience includes WIN Work Experience, Jobs Plus I (which also included a job search component), Public Sector Work Experience and On-the-Job Training.

<sup>d</sup>Education and Training includes Harbor City Learning, the Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work and general institutional training outside the program.

\*\*Differences between experimentals and controls are statistically significant at the 5 percent level using a chi-square test.

\*\*\*Differences between experimentals and controls are statistically significant at the 1 percent level using a chi-square test.

and is recorded by program staff. These rates of reported employment are considerably lower than the rates presented in Chapter 5, where Unemployment Insurance records are used as the more accurate source of employment for both the experimental and control groups.

The really striking difference between experimentals and controls lies in their rates of participation in active components: 44.5 percent of the experimental sample, but only 3.4 percent of the controls, were active within 12 months of random assignment. Thus, experimentals assigned to Options were far more likely than their WIN counterparts ever to participate in a formal program activity -- job search, work experience, education or training.

In Table 4.1, the reference group is the total number of experimentals and controls. However, since a program cannot serve those who fail to register, the tables in the rest of this chapter will use as their base the number of Options or WIN registrants rather than all experimentals and controls in order to gauge performance more fairly. Table 4.2 therefore resembles Table 4.1, except that the percentages are based on the number of persons who registered within three months of random assignment. This table discloses that 52.7 percent of all experimental registrants and 3.7 percent of control registrants were active in Options or WIN within 12 months.

#### 1. WIN Services

These data should not be taken to indicate that controls in the regular WIN Demonstration Program received no services at all, but rather that, for the most part, services were not delivered in the form of structured components. As noted in Chapter 1, funding for WIN staff and

TABLE 4.2

## BALTIMORE

TWELVE-MONTH PERFORMANCE INDICATORS FOR REGISTRANTS, BY RESEARCH GROUP  
[NOVEMBER 1982 - DECEMBER 1983 AFOC AND AFOC-U SAMPLE]

Performance Indicators	Experimental	Control
Participation Rate		
Any Active Component	52.7	3.7***
Job Search <sup>a</sup>	29.8	2.3***
Work Experience <sup>b</sup>	20.8	0.8***
Education and Training <sup>c</sup>	19.7	0.9***
Placement Rate	18.2	12.4***
Deregistration Rate	45.4	49.8**
Sample Size	1284	1355

SOURCE: Calculations from the Maryland Employment Service Automated Reporting System.

NOTES: All performance indicators are calculated as a percentage of the total number of persons in the indicated research group who registered within three months of random assignment.

Participation is defined as attending any activity for at least three days.

<sup>a</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>b</sup> Work Experience includes WIN Work Experience, Jobs Plus I (which also included a job search component), Public Sector Work Experience and On-the-Job Training.

<sup>c</sup> Education and Training includes Harbor City Learning, the Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work and general institutional training outside the program.

\*\*Differences between experimentals and controls are statistically significant at the 5 percent level using a chi-square test.

\*\*\*Differences between experimentals and controls are statistically significant at the 1 percent level using a chi-square test.

activities in Baltimore had been substantially reduced. Group job search operated at a minimal level until mid-August 1983 and was thereafter discontinued; only a handful of WIN registrants were assigned to work experience or training.

However, WIN registrants judged "job-ready," if they were not engaged in a formal WIN activity, did receive some assistance, although it was usually not structured. Many were assigned to a short-term holding status, known in WIN parlance as Other WIN Non-Component Activity, or OWNCA. Data not presented in the table indicate that 77 percent of control group registrants were in OWNCA at some time during the 12-month follow-up. While in this status, they were expected to report to the WIN office on a monthly basis. There, counselors referred them, on occasion, to GED and training programs, as well as, whenever possible, to job openings obtained from WIN's job developers, the newspapers or the state employment service. It is not known, however, how many people followed through on these referrals.

Thus, when the impact findings on Options participation are examined later in this report, it will be important to remember that the control group was not a no-treatment group. Controls did receive some services, and, to a greater extent than was true in Options, these were largely directed toward immediate job placement, rather than longer-term employability development.

## 2. Options Services

The data in Table 4.2 suggest that Options delivered a variety of services to the target population. Overall, job search was the most frequently used component: about 30 percent of all registrants participated

in this activity compared to approximately 20 percent in work experience and education and training. Because registrants could participate in more than one component, the proportions of those active in each component add up to a higher figure than the 52.7 percent active overall, indicating that in fact some people did take part in more than one activity. This topic is considered at greater length later in this chapter.

As noted earlier, Options guidelines call for most individuals to participate in some kind of job search during their program stay, but not necessarily as their initial activity. The table shows that 29.6 percent of all registrants did take part in job search activities. About half participated in group job search workshops, while half conducted individual job searches on their own. In fact, the 29.6 percent figure understates the actual proportion of people who received such assistance, since it does not include direct referral and placement by staff nor less structured efforts conducted by registrants not in program components.

Activities formally categorized as job search varied in duration. Initially, group job search workshops lasted for three weeks, but staff regarded this as inadequate, and a new component lasting two months was introduced. Individual job search was indefinite in length.

As described earlier, the definition of "participation" in this analysis is not a stringent one: individuals were counted as active if they participated in an activity only three times. Thus, a participation rate of 30 percent conveys only a very rough idea of how active people really were. Data collected for the benefit-cost analysis show that individuals who went into job search spent an average of five and one-half weeks in group job search and 15 weeks in individual job search.

Grouped together in Table 4.2 under the category called "work experience" are several different activities: WIN and Public Sector Work Experience (identical in structure), Jobs Plus I, and on-the-job training. WIN and Public Sector Work Experience required participation in an unpaid work position for 40 hours a week for up to 13 weeks; individuals could, if they chose, be assigned to this activity a second time. Jobs Plus I combined both work experience and job search, but was classified as work experience because participants spent most of their time at the worksites. Data from the benefit-cost study indicate that Options registrants who took part in these kinds of work experience activities did so for an average of 16 weeks. A small proportion of sample members were also placed in private businesses in on-the-job training, where duration varied according to the level of skills needed for the position. On average, participants spent almost 10 weeks in on-the-job training.

About one-fifth of enrollees participated in "education and training," a broad category that includes classes designed to introduce individuals to the world-of-work and employers' expectations, tutoring, instruction in the basic skills, preparatory classes for the General Equivalency Diploma tests, and classroom-based occupational skills training. World-of-work and educational activities are usually conducted by various OMR units, while skills training is provided by outside agencies under subcontract to OMR. If individuals participating in world-of-work classes are excluded from the total, it appears that about 14 percent were engaged in activities designed to improve long-term employability.

Education and training activities varied in length, ranging from one or two weeks in the world-of-work sessions to 18 months in some training

programs. Length of stay in the education and training activities other than world-of-work or tutoring averaged almost 19 weeks.

B. The Nature and Intensity of Participation: 12-Month Indicators

In this section, several issues related to participation are explored in turn: how individuals were assigned to components; whether the nature of assignments changed over the course of the program; and whether participation was an ongoing requirement.

1. Participant Characteristics and Assignment Decisions.

The first question is a particularly important one in assessing whether the Options Program individualized services for its enrollees:

- How, and on what bases, were people assigned to various components?

The effort to individualize services began with a detailed assessment process. Upon registration with the program, individuals immediately took a battery of tests that attempted to determine their verbal and mathematical abilities. Afterwards, each enrollee met with an intake and assessment counselor who, in the process of filling out numerous program forms, learned a good deal about the enrollee's educational and employment background, attitudes, skills, goals and barriers to employment.

All of this information guided the counselor in deciding whether the individual should be placed in a holding status, or instead assigned to a program activity, and if so, to which one. The counselor described the various program activities and asked the enrollee about preferences which, when they differed from those of the counselor, were still taken into account. The frequency with which enrollee and counselor disagreed is not

clear, especially since the counselor sometimes tailored the description of program activities to make the preferred component sound particularly appealing. The staff's effort to gain registrants' concurrence and cooperation -- in sum, to introduce a voluntary element into a mandatory program -- is, however, notable.

Assignment data for program activities (as opposed to participation data) were not routinely collected this report. However, analysis of a small sample of cases examined as part of a special study suggests that everyone was assigned to some category -- either an active component or a holding status. Of the 102 cases sampled, 70 were assigned to an active component either immediately or after being placed in short-term holding, while the other 32 were placed in long-term holding.

Although intake counselors exercised considerable discretion in making their assignment decisions, that discretion tended to be channeled in fairly predictable ways. Thus, enrollees were likely to be placed in long-term holding status and deferred from participation if they were already attending a school or training program full-time, were working part-time, or had medical problems undisclosed at the time they were determined to be WIN-mandatory.

It is noteworthy that, under traditional WIN regulations, health problems confer an exemption, but part-time employment and attendance in school or a training program do not. The Options policy of granting deferrals was a change in keeping with the program's emphasis on long-term employability development. It also reflected the staff's belief that if a registrant's nonprogram activity demonstrated an ultimate commitment to working, the program should not instead require enrollment in an "official"



program component. (In this guideline, Options was more lenient than some other mandatory employment programs.) Program staff did keep track of registrants in a holding status, however, and as personal situations changed, these people could be required to take part in program activities.

Staff also adopted fairly broad guidelines in assigning individuals to program activities. For example, job search was only considered appropriate if counselors believed registrants had acquired enough education and/or work experience (usually at least one year) to be able to find employment. To be placed in occupational skills or on-the-job training, enrollees usually had to have a high school diploma or its equivalent and often had to meet additional requirements imposed by classroom training providers or private employers. The criteria for an assignment to work experience were more fluid. While the activity was designed for those with sporadic job histories, it was also seen as suitable for persons interested in changing careers. In addition, registrants could be assigned to work experience simply because other components seemed unsuitable.

The data in Table 4.3 confirm that the individuals who participated in the various components did have different histories of work and education, as well as demographic characteristics. The table shows rates of participation in key Options components for several subgroups whose characteristics and backgrounds were described in Chapter 2. The AFDC and AFDC-U assistance categories are distinguished, and within each category, applicants are separated from recipients.

Overall participation rates in the program were strikingly similar among all subgroups. This is of particular note because the deregistration

TABLE 4.3

## BALTIMORE

TWELVE-MONTH PERFORMANCE INDICATORS FOR EXPERIMENTAL REGISTRANTS,  
9Y ASSISTANCE CATEGORY AND INITIAL WELFARE STATUS  
(NOVEMBER 1982 - DECEMBER 1983 SAMPLE)

Performance Indicator	AFOC		AFOC-U		Total	
	Applicant	Recipient	Applicant	Recipient	Applicant	Recipient
Participation Rate						
Any Active Component	53.0	52.7	50.4	59.3	52.6	52.9
Job Search <sup>a</sup>	32.7	25.4	34.8	37.5	33.1	25.9
Work Experience <sup>b</sup>	14.6	26.9	15.7	20.8	14.9	26.7
Education and Training <sup>c</sup>	17.7	22.9	11.3	25.0	18.6	23.0
Placement Rate	19.4	18.1	22.6	25.0	19.9	16.4
Deregistration Rate	57.2	28.8	76.5	41.7	60.6	29.3
Sample Size	547	598	115	24	662	622
						1204

SOURCE: MDRC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: All performance indicators are calculated as a percentage of the total number of experimental registrants in the indicated assistance category or welfare status who registered with Options within three months of random assignment.

Participation is defined as attending any activity for at least three days.

<sup>a</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>b</sup> Work Experience includes WIN Work Experience, Job Plus I (which also included a job search component), Public Sector Work Experience, and On-the-Job Training.

<sup>c</sup> Education and Training includes Harbor City Learning, the Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work, and general institutional training outside the program.

\*\*Differences between welfare statuses within assistance categories are statistically significant at the 5 percent level using a chi-square test.

\*\*\*Differences between welfare statuses within assistance categories are statistically significant at the 1 percent level using a chi-square test.

rates of the subgroups differed markedly: applicants in both categories were more likely to be deregistered than recipients, and AFDC-U registrants were more likely to be deregistered than those on AFDC.

Two factors probably explain the higher deregistration rate of applicants. First, it appears that 8 percent of these individuals were never approved for welfare, as indicated by the fact that they never received assistance throughout the follow-up period. Second, as Chapter 2 indicated, recipients had less prior employment experience than applicants, as well as greater prior welfare receipt; it would therefore not be surprising if they remained on welfare longer than the approved applicants. In partial confirmation of this point, within the AFDC sample, applicants were more likely to be noted as placed in employment, although the difference is not statistically significant. The reverse was true for AFDC-U enrollees, among whom more recipients than applicants were recorded as placed. However, as discussed below, the rate was still considerably higher than the placement rates reported for AFDC's, even the applicants. (The small number of AFDC-U recipients in the sample, it should be remembered, makes it hard to generalize about this group of individuals.)

The different deregistration rates of the AFDC and AFDC-U enrollees can be accounted for in part by the fact that applicants far outnumbered recipients in the AFDC-U category as a whole. Additionally, however, AFDC-U applicants and recipients were each more likely to be deregistered than their counterparts on AFDC, a finding that accords with the higher reported placement rates for that group. The relationship between participation and deregistration is discussed at greater length later in this chapter.

While, as just noted, overall participation rates were similar, the subgroups differed in the extent to which they participated in certain components. Within the AFDC category, applicants for welfare were more likely to participate in job search and were less likely to be found in work experience or education and training than were recipients, as would be expected given the more extensive employment histories of applicants. In contrast, there were no significant differences between AFDC-U applicants and recipients. Almost equal proportions of each took part in job search.

There could be two reasons for this pattern. First, while AFDC-U applicants and recipients differed in many ways, AFDC-U recipients appeared, as a group, to have important labor market assets when compared to recipients of AFDC. Half of the AFDC-U's but only 27 percent of the AFDC recipients, had worked in the year prior to random assignment; conversely, three-quarters of the AFDC recipients, but only 28 percent of these on AFDC-U, had received welfare for two years or more. Program staff apparently considered AFDC-U recipients to be just as suitable for job search as the AFDC-U applicants. Second, the small number of AFDC-U recipients in the sample means that differences between the subgroups may just not have been evident; these differences would be difficult to detect unless they were large.

Applicants to both AFDC and AFDC-U were far more likely to be placed in job search than the other components. Within the recipient group, those on AFDC were less likely to be placed in job search and more likely to participate in work experience than recipients of AFDC-U. Although recipients of AFDC-U were more likely to go into the education and training component than were AFDC-U applicants, the number of these recipients was

small, and the differences between applicants and recipients were not statistically significant. Overall, those on AFDC-U were more likely to take part in job search and less likely to take part in work experience or education and training than their AFDC counterparts.

The disparate characteristics of individuals in these components are brought into sharper relief in Table 4.4, which looks at individuals who initially (rather than ever) participated in one of the three key areas of activity as well as those who were initially placed in a holding status and remained there. Among other factors, the table shows that those in job search or education and training were more likely to be either high school graduates or GED holders than were those in work experience. The earnings of job search participants in the four quarters prior to random assignment were about double those of participants in work experience or education and training. Job search participants were also more likely than those in other activities to be first-time recipients of AFDC.

In contrast, two-thirds of the individuals initially placed in education or training had been on the welfare rolls for more than two years. Staff may well have assigned them to these activities because they judged them as unemployable without further schooling or employability skills.

Thus far, this chapter has shown that applicants and recipients on AFDC and AFDC-U were apt to be assigned to different activities, and also that these subgroups had different rates of deregistration. It would not be surprising, therefore, to learn that individuals who participated in different activities were deregistered at different rates. Table 4.5 shows that this was the case. Those AFDC clients who were initially placed in job search were more likely to be deregistered within the 12-month follow-

TABLE 4.4

BALTIMORE

SELECTED CHARACTERISTICS OF THE EXPERIMENTAL REGISTRANTS  
AT THE TIME OF RANDOM ASSIGNMENT BY INITIAL PROGRAM STATUS  
[NOVEMBER 1982 - DECEMBER 1983 AFDC AND AFDC-U SAMPLE]

Characteristic	Job Search <sup>c</sup>	Work Experience <sup>d</sup>	Education And Training <sup>e</sup>	Holding Status <sup>f</sup>	Total
Welfare Status					
Applicant	61.6	43.0	41.8	40.9	47.2***
Recipient	38.4	57.0	58.2	59.1	52.8***
Assistance Category					
AFDC	88.2	90.3	93.8	93.2	90.9***
AFDC-U	13.8	9.7	6.2	6.8	9.1***
Average Age (Years)	32.6	31.9	30.0	31.6	31.7***
Sex (%)					
Male	25.9	15.2	8.8	13.0	15.9***
Female	74.1	84.8	93.2	87.0	84.1***
Ethnicity (%)					
White, Non-Hispanic	33.5	29.7	26.4	35.2	32.4
Black, Non-Hispanic	84.6	89.7	72.5	64.3	86.6
Hispanic	1.3	0.0	0.0	0.0	0.49
Other	0.6	0.6	1.0	0.5	0.69
Degree Received (%)					
None	56.9	68.3	60.9	53.6	58.0***
General Equivalency Diploma	5.5	5.5	8.9	9.2	7.5
High School Diploma	37.6	26.2	30.2	37.2	34.5**
Marital Status (%)					
Never Married	32.2	37.0	43.2	39.6	37.7*
Married, Living With Spouse	20.7	14.5	9.4	14.0	15.2***
Married, Not Living With Spouse	30.9	33.9	31.8	27.7	30.2
Divorced, Widowed	16.2	14.5	15.6	18.6	16.9
Prior AFDC Dependency (%)					
Never on AFDC	21.0	9.7	10.9	13.4	14.6***
Two Years or Less	34.1	27.9	22.9	34.9	31.5**
More Than Two Years	44.9	62.4	66.1	51.7	53.9***
Average Months on AFDC During Two Years Prior to Random Assignment	10.7	15.0	16.3	14.3	13.7***
Held Job at Any Time During Four Quarters Prior to Random Assignment (%)	50.6	38.2	35.1	41.8	42.6***

(continued)

TABLE 4.4 (continued)

Characteristic <sup>c</sup>	Job Search <sup>c</sup>	Work Experience <sup>d</sup>	Education And Training <sup>e</sup>	Holding Status <sup>f</sup>	Total
Held Job During Quarter Prior to Random Assignment (%) <sup>g</sup>	29.9	21.8	21.1	25.3	25.4*
Average Earnings During Four Quarters Prior to Random Assignment (\$) <sup>h</sup>	2060.90	1175.88	836.58	1258.38	1401.02***
Total Sample <sup>b</sup>	318	165	194	443	1120

SOURCE: Calculations from MORC Client Information Sheets and Unemployment Insurance earnings records and from the Maryland Employment Service Automated Reporting System.

NOTES: This sample includes experimentals who registered for Options within three months of random assignment and who entered holding status or participated in Job Search, Work Experience, or Education and Training within three months of random assignment.

Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> Calculations from Unemployment Insurance records from the State of Maryland.

<sup>b</sup> For selected characteristics, sample sizes may vary up to eighteen sample points due to missing data.

<sup>c</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>d</sup> Work Experience includes WIN Work Experience, Job Plus I (which also includes a job search component), Public Sector Work Experience and On-The-Job Training.

<sup>e</sup> Education and Training includes Harbor City Learning, The Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work, and general institutional training outside the program.

<sup>f</sup> Holding Status applies to those not active within twelve months.

<sup>g</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\* Differences across components are statistically significant at the 10 percent level using a two-tailed t-test or chi-square test.

\*\* Differences across components are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\* Differences across components are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

TABLE 4.5

## BALTIMORE

DISTRIBUTION OF DEREGISTRATION RATES WITHIN TWELVE MONTHS AFTER RANDOM ASSIGNMENT  
FOR THE EXPERIMENTAL REGISTRANTS, BY INITIAL ACTIVE COMPONENT  
AND ASSISTANCE CATEGORY BY WELFARE STATUS  
(NOVEMBER 1982 - DECEMBER 1983 AFDC AND AFDC-U SAMPLE)

Assistance Category and Welfare Status	Job Search <sup>a</sup>	Work Experience <sup>b</sup>	Education and Training <sup>c</sup>
AFDC			
Applicants	53.1	43.9	52.1
Recipients	25.4	21.7	18.3
Both	41.6 (N=274)	30.2 (N=149)	31.9 (N=182)
AFDC-U			
Applicants	72.2	64.3	62.5
Recipients	12.5	50.0	100.0
Both	61.4 (N=44)	62.5 (N=16)	75.0 (N=12)
Both Categories			
Applicants	56.6	47.9	53.1
Recipients	24.6	22.3	21.2
Both	44.3 (N=318)	33.3 (N=185)	34.5 (N=194)

SOURCE: MDRC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: Deregistration rates are calculated as a percent of experimentals in the indicated assistance category and welfare status who registered for Options within three months of random assignment and whose first component was Job Search, Work Experience, or Education and Training.

Numbers in parentheses indicate sample sizes.

<sup>a</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>b</sup> Work Experience includes WIN Work Experience, Job Plus I (which also included a Job Search component), Public Sector Work Experience, and On-the-Job Training.

<sup>c</sup> Education and Training includes Harbor City Learning, The Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work and general institutional training outside the program.

Tests of statistical significance were not examined.



up period than were individuals initially active in work experience or education and training. (Among AFDC-U clients, small sample sizes precluded detection of differences.) But this cannot be taken to mean that job search was a more effective treatment than other components, since the people most likely to be placed in job search were those with the greatest potential of exiting from the program to begin with.

## 2. Participation Patterns Over Time

A second question related to participation patterns is:

- Did later enrollees participate in the same kinds of activities as earlier ones?

If changes in participation patterns were evident over time, these might reflect changes in program philosophy or priorities, or in staff and enrollee preferences.

In Appendix Table C.1, rates of participation in program components are compared for earlier (November 1982 through March 1983) and later (April through December 1983) sample entrants. The data in the table point to a shift away from work experience and toward job search among the later entrants. In fact, however, this shift occurred almost entirely because one particular activity, known as Jobs Plus I, was discontinued midway through the follow-up period. As noted above, Jobs Plus I combined work experience and job search but was categorized as work experience in this analysis. Had it been placed under the job search rubric instead, the overall participation patterns of both earlier and later entrants would be essentially similar.

## 3. Continuity of Participation

The Options program design initially called for a continuous partici-

pation requirement. That is, Options entrants were expected to remain active in the program until one of three outcomes occurred: they left the welfare rolls entirely; they remained on welfare but were no longer WIN-mandatory; or they were judged inappropriate for a program activity and placed in a holding status. In April 1984, after the research sample was drawn, Options altered its intake procedures and, in so doing, exempted some participants from the continuous participation obligation. This change should not have affected most of the registrants followed in this study, who would already have had the opportunity to take part in more than one component.

The analysis therefore addresses two related questions:

- Did enrollees participate continuously in program activities?
- What were their typical participation paths?

Table 4.6 provides some information on these questions, showing that, first, a substantial minority of enrollees did not participate in any activity, and second, that among those who did, the majority participated only in the initial activity in which they were placed.

Answering these questions in more detail gives rise to an interpretive dilemma which is dealt with in a subsequent section. A lack of appropriate data is one problem. For example, it has already been established that many individuals who initially participated in an activity were thereafter deregistered. If they were not available to take part in a second component, this would help to explain some of the low rates of participation in subsequent components. Unfortunately, the data are not sufficiently precise to enable this issue to be addressed in a rigorous way.

A comparison of Table 4.7 with Table 4.5, however, sheds some light on

TABLE 4.6

## BALTIMORE

DISTRIBUTION OF EXPERIMENTAL REGISTRANTS, BY ASSISTANCE CATEGORY,  
INITIAL WELFARE STATUS, AND NUMBER OF ACTIVE COMPONENTS PARTICIPATED IN  
DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 AFDC AND AFDC-U SAMPLE)

Assistance Category and Welfare Status	Number of Active Components					Total
	None	One	Two	Three	Four or More	
AFDC						
Applicant	47.0	34.6	13.5	2.9	2.0	100.0 (N=547)
Recipient	47.3	27.1	15.7	6.2	3.7	100.0 (N=598)
AFDC-U						
Applicant	49.6	34.8	12.2	1.7	1.7	100.0 (N=115)
Recipient	41.7	33.8	20.8	4.2	0.0	100.0 (N=24)
Both Categories						
Applicant	47.4	34.6	13.3	2.7	2.0	100.0 (N=662)
Recipient	47.1	27.3	15.9	6.1	3.5	100.0 (N=622)

SOURCE: MDRC calculations from the Maryland Employment Service Automated Reporting System

NOTES: Distributions are calculated as a percentage of experimentals in the indicated assistance category and welfare status who registered for Options within three months of random assignment.

The number of activities was computed from the number of individual components in which participants were active. Information was not available for all individual components. Participants who were recorded as active in twelve months and for whom information about the individual activities in which they participated was not available were assumed to be active in one component.

Participation is defined as attending any activity for at least three days.

Distributions may not add exactly to 100.0 percent because of rounding.

TABLE 4.7

## BALTIMORE

DISTRIBUTION OF EXPERIMENTAL REGISTRANTS, BY FIRST ACTIVE COMPONENT  
AND PERCENTAGE EVER PARTICIPATING IN OTHER ACTIVE COMPONENTS  
WITHIN TWELVE MONTHS AFTER RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 AF0C AND AF0C-U SAMPLE)

Initial Active Component	No Other Active Component	Subsequent Active Component			Sample Size
		Job Search <sup>a</sup>	Work Experience <sup>b</sup>	Education <sup>c</sup> and Training	
Job Search <sup>a</sup>	72.6	22.3	4.1	9.4	318
Work Experience <sup>b</sup>	75.2	13.3	9.7	9.1	165
Education and Training <sup>c</sup>	63.4	13.4	25.3	17.5	194

SOURCE: MORC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: This sample includes experimentals who registered with Options within three months of random assignment, whose first component was either Job Search, Work Experience, or Education and Training, and who were active in the component within twelve months.

Raw totals will not sum to 100 percent because individuals could participate in more than one subsequent component.

Tests of statistical significance were not calculated.

<sup>a</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>b</sup> Work Experience includes WIN Work Experience, Jobs Plus I (which also included a job search component), Public Sector Work Experience and On-the-Job Training.

<sup>c</sup> Education and Training includes Harbor City Learning, The Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work, and general institutional training outside the program.

the problem. For instance, one can see in Table 4.5 that 33.3 percent of all those who began work experience were subsequently deregistered during the 12-month follow-up. If all these deregistrations took place before these individuals moved on to another component, this presumably would leave 66.7 percent of the work experience participants available for a second activity. But Table 4.7 shows that only 24.8 percent of those who began in work experience went on to another component. (This figure constitutes 37 percent of all those available for a new activity.) In job search, education and training, the proportions of available registrants who went on to a second activity were higher -- 49 and 56 percent, respectively. Nonetheless, the basic conclusion -- that large numbers of people participated in only one activity -- remains intact.

Table 4.7 also suggests that while it is difficult to identify "typical" participation patterns, some trends can be identified. (The table groups AFDC and AFDC-U registrants together, but the same patterns would hold if the two subgroups were analyzed separately). For those who began in job search and went on to a second component, that component was likely to again involve some kind of job search activity. This is not surprising, since individuals initially placed in job search were judged employable at the outset and would not, presumably, need additional employability services. In contrast, those who began in work experience or education and training took part in a variety of subsequent activities, depending on their needs and performance in the first component.

#### C. Trends in Participation Rates

A third major area of inquiry is the timing of participation:

- Did participation increase over time?

In other words, did most people participate early in their program stay? Or did they only become active after they had been enrolled for some period of time?

Figure 4.1 tracks the participation of Options registrants for the maximum period of available follow-up. Thus, the earliest enrollees (those entering the program in November and December 1982) are followed for 24 months; those entering in January through March 1983 for 21 months; and those enrolled in April through December 1983 for 12 months.

The figure shows that participation began both early in enrollees' program tenure and later. Ultimately, the 24-month rate of participation for those in the earliest group of sample enrollees reached 61 percent. About one-third of this group participated within 30 days after sample entry, and as many as two-thirds were active within 90 days. But about one in seven people did not participate until they had been in Options for a year, and the program continued to serve previously inactive enrollees as late as 18 months after their initial entry.

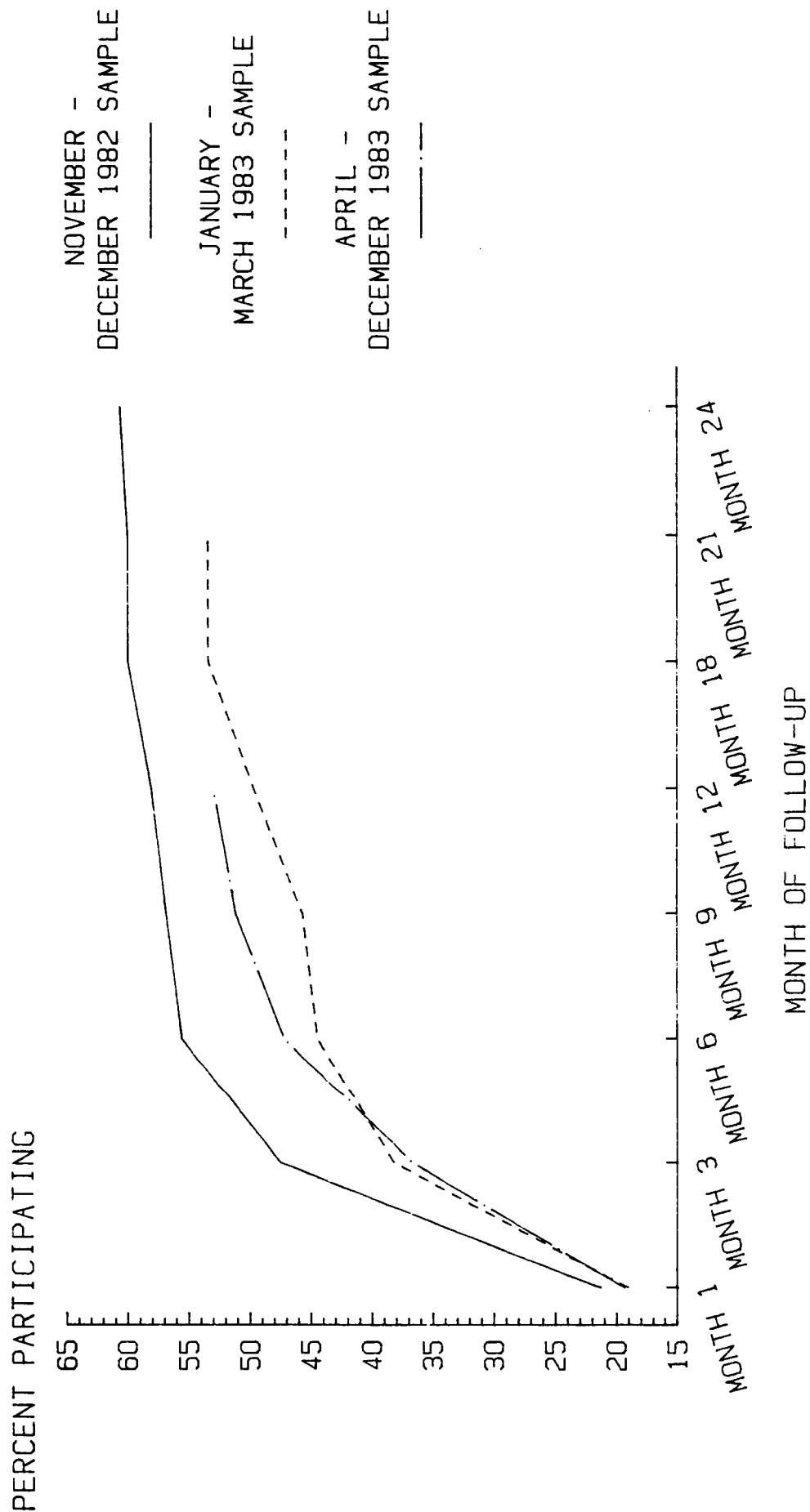
This suggests that, as noted before, individuals whose participation was deferred were not totally "lost" to the program. Rather, the status of those in holding was periodically monitored, and when their situations changed, staff often assigned them to active components.

Participation rates for the two groups of later enrollees also increased over time, as depicted in Figure 4.1, but fell below the level of the earliest entrants. A possible explanation is that, since the first group of enrollees was small, Options staff may have given these individuals extra attention as they made their way through the program.

FIGURE 4.1

BALTIMORE

TRENDS IN CUMULATIVE PARTICIPATION RATES IN ANY ACTIVITY  
FOR AFDC AND AFDC-U EXPERIMENTAL REGISTRANTS,  
BY PERIOD OF RANDOM ASSIGNMENT



SOURCE: Maryland Employment Service  
Automated Reporting System.

#### D. Participation and its Relationship to Continuous Eligibility

Several weaknesses can be noted in the way participation has been considered thus far in this chapter -- that is, participation defined as the percentage who "ever participated" in a given activity. For one, the "ever participated" statistics may be misleading because they count equally those who took part in an activity for only a few days and those who remained for much longer periods. A second problem -- one that surfaced in the analysis of the "continuous" participation requirement -- is that the "ever participated" rates may understate the program's ability to reach those who were eligible. This is because these rates take a long-range but static view of the welfare caseload, suggesting that all nonparticipants remained eligible throughout the observation period, somehow escaping program participation. But some nonparticipants were not continuously eligible. Rather, they left welfare or were deregistered from the program for a number of other reasons, as suggested in Chapter 3.

In fact, as Table 4.2 has pointed out, 45.4 percent of this sample of experimental registrants had been deregistered from the program by the end of the 12-month follow-up period. About 60 percent of those deregistered were no longer receiving welfare by the fourth quarter after program entry. (This figure includes the applicants who were initially denied welfare. Those denied assistance, of course, were no longer subject to the participation requirement, whether or not they had taken part in program activities during the short period while they were enrolled.) The other 40 percent did receive a welfare payment during the fourth quarter, but some of them may have been counted as deregistered because they left the rolls during that quarter. Others may have continued to receive aid but were no



longer WIN-mandatory -- for example, because they gave birth to a new child.

To gauge more accurately the extent to which the Options Program reached eligible individuals, it is useful to look at enrollees at a point in time, examining program participation vis-a-vis the participants' continuing eligibility. Table 4.8 does so, summarizing the status of sample members at the 12-month point after they entered the program; Figure 4.2 presents the same data in a pie chart. Each individual in the sample fits into one of four table categories on the basis of two criteria: deregistered from the Options Program during the 12 months or continuously registered; and participated or not during the 12 months. Thus, for example, the first row total shows that 52.7 percent of registrants had participated at some point in the program during the 12-month period. This group breaks down into two subgroups: 32.2 percent who were currently participating or had done so previously, but who were still registered with the program; and another 20.5 percent who had participated but were then deregistered.

The data in the table answer three questions, the first being:

- (1) What proportion of sample members were reached by the participation requirement or were no longer subject to it?

To address this issue, the four categories of Options registrants seen in the table under the main heading of "Enrollment Status" were reassembled into two main groupings, as follows:

- Individuals Reached by the Participation Requirement and/or Deregistered from the Program (77.6 Percent of the Sample)
  - Individuals who ever participated, now deregistered (20.5 percent)

TABLE 4.8

## BALTIMORE

TWELVE-MONTH PARTICIPATION STATUS OF EXPERIMENTAL REGISTRANTS,  
BY ENROLLMENT STATUS DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 AFOC AND AFOC-U SAMPLE)

Twelve-Month Participation Status	Enrollment Status During Twelve Months		Total	Sample Size
	Ever Daregisterad	Continuouely Enrollad		
Ever Perticipated (%)	20.5	32.2	52.7	677
Never Perticipated (%)	24.9	22.4	47.3	607
Total (%)	45.4	54.6	100.0	1284

SOURCE: MDRC calculations from the Maryland Employment Service Automated Reporting Syatem.

NOTES: Figures on program end perticipation statue are calculated aa a percentege of all experimentels who registered with Options within three monthe of random aaignment.

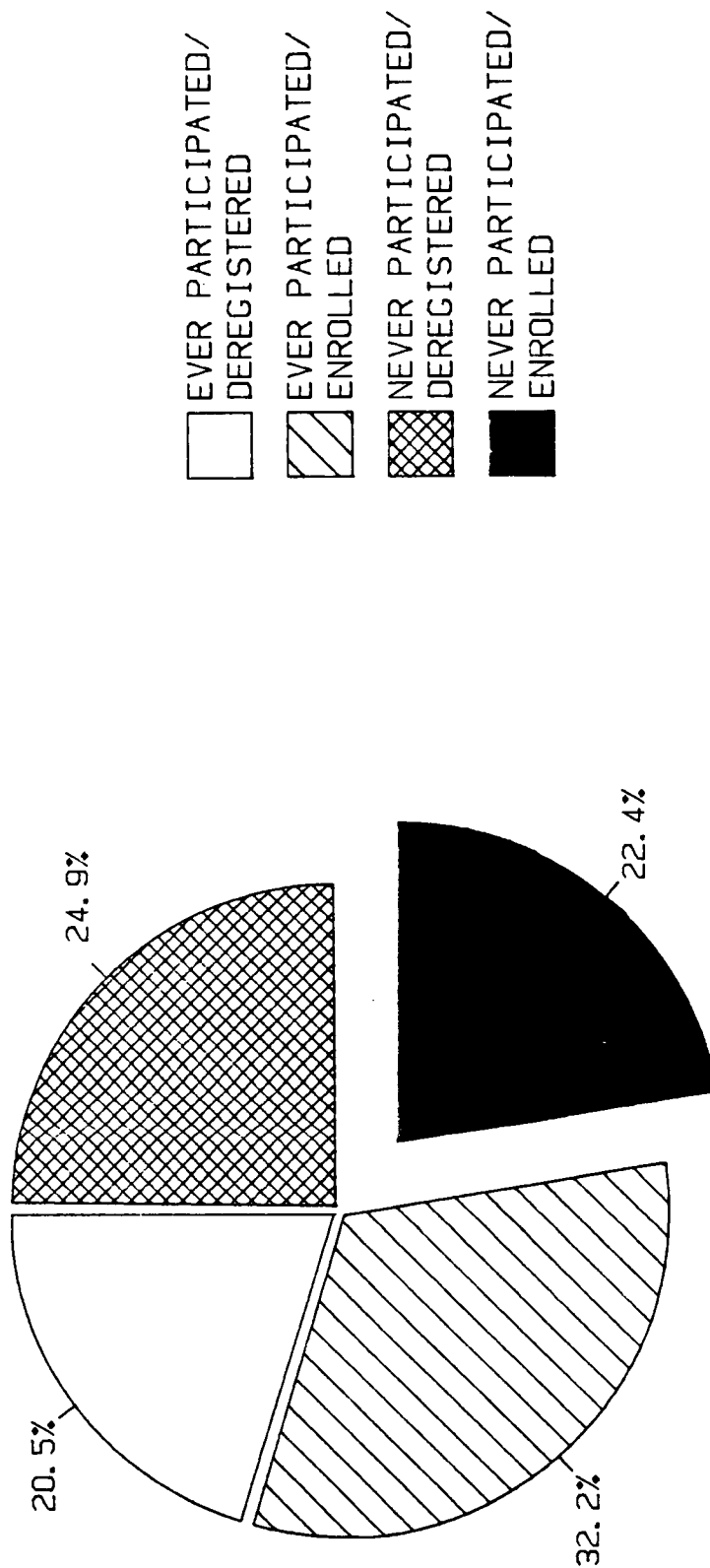
Perticipation is defined es attending any ectivity for et leeat three deye.

Teete of etatietical signficence were not celculated.

FIGURE 4.2

BALTIMORE

TWELVE-MONTH PARTICIPATION STATUS OF AFDC AND AFDC-U  
EXPERIMENTAL REGISTRANTS, BY PROGRAM STATUS  
DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT



TOTAL  
EXPERIMENTAL REGISTRANTS

SOURCE: See TABLE 4.9

- Individuals who ever participated, still in the program (32.2 percent)
- Individuals who never participated, now deregistered (24.9 percent)
- Individuals Never Reached by the Participation Requirement, but Still in the Program (22.4 Percent of the Sample)

Thus, at the 12-month point, just over three-quarters of the sample members either had participated in Options or, if they had not participated, were no longer enrolled. Conversely, between one-fifth and one-quarter of the sample members were still enrolled and eligible for the program, but had not participated a year after they entered it. A later section will consider reasons for nonparticipation as well as what happened to those who did not comply with program regulations.

The second question addressed is:

- (ii) Of those still enrolled in the program after 12 months, what proportion had yet to participate? And conversely, of the individuals who had been deregistered, how many had participated?

Reading down the table columns, one can answer this question by dividing the 32.2 percent who were still enrolled but had participated by the total of 54.6 percent of those who were continuously enrolled. From that, one learns that of those who were left in Options at the 12-month point, 59 percent had taken part in program activities, while 41 percent had yet to participate. Of those deregistered, 45 percent had participated at some time, and 55 percent had not. As noted above, many of those deregistered were eligible for the program for only a short period of time.

The third questions asks:

- (iii) What proportion of the individuals who participated in the program remained enrolled after 12 months, and of

those who did not participate, what proportion stayed enrolled?

This time, the proportion is obtained by reading across the table's rows, dividing the same 32.2 percent of those who were still enrolled but had participated by the total of 52.7 percent who had ever participated. Of those who had, 61 percent remained enrolled in the program. Of those who had not, 47 percent remained enrolled.

Figure 4.3 demonstrates that the caseload profile presented in Figure 4.2 is dramatically altered when different periods of follow-up are chosen. In particular, the proportion of the "continuously enrolled but never participated" group shrinks from three-quarters of the sample at month one to less than one-quarter at month 12, as increasing numbers of registrants begin to participate and/or leave the program.

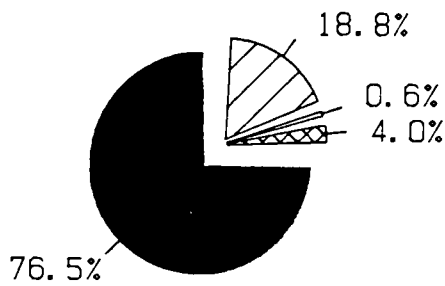
All these analyses point to the importance of taking caseload dynamics into account when examining program participation. The fact that the deregistration rate was higher for nonparticipants than for participants suggests that factors other than participation in employment programs account for much of the movement that takes place in program caseloads. By extension, these factors also explain much of the turnover in the welfare rolls.

Figure 4.4 makes it clear that AFDC and AFDC-U enrollees have quite different patterns of distribution among the four categories defined by participation and enrollment status, primarily because of the greater propensity of AFDC-U enrollees to have been deregistered by the 12-month mark. Table 4.9 examines these differences further, replicating Table 4.8 for several subgroups of the total sample: applicants and recipients on

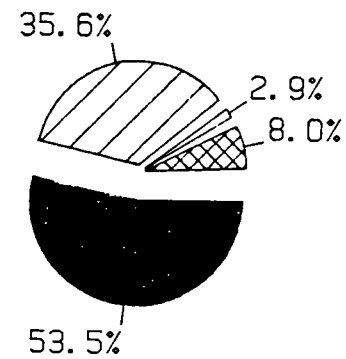
FIGURE 4.3

BALTIMORE

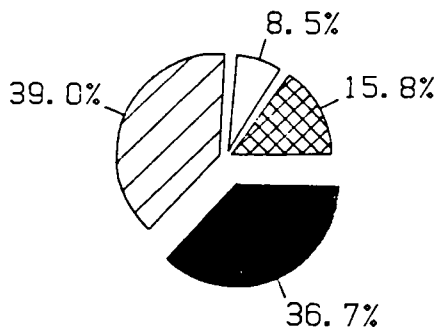
FIRST, THIRD, SIXTH, AND TWELFTH MONTH PARTICIPATION STATUS  
OF AFDC AND AFDC-U EXPERIMENTAL REGISTRANTS, BY PROGRAM STATUS  
DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT



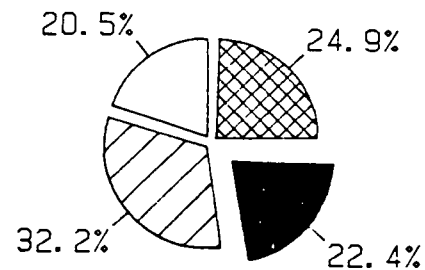
Month One





Month Three





Month Six



Month Twelve

 EVER PARTICIPATED/  
DEREGISTERED  
 EVER PARTICIPATED/  
ENROLLED

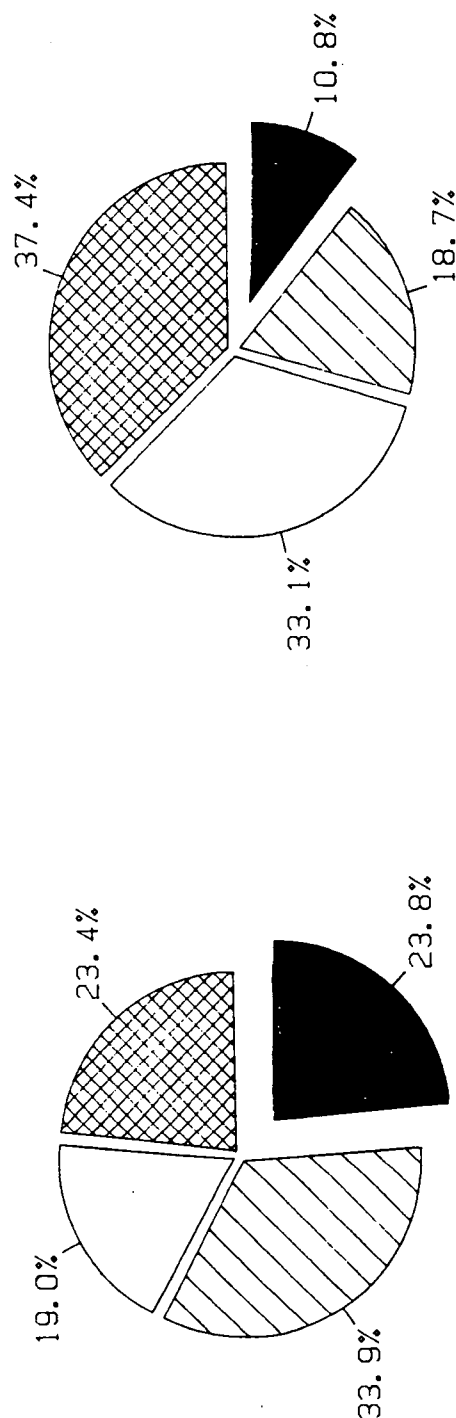
 NEVER PARTICIPATED/  
DEREGISTERED  
 NEVER PARTICIPATED/  
ENROLLED

SOURCE: MDRC calculations from the Maryland Employment Service Automated Reporting System.

FIGURE 4.4

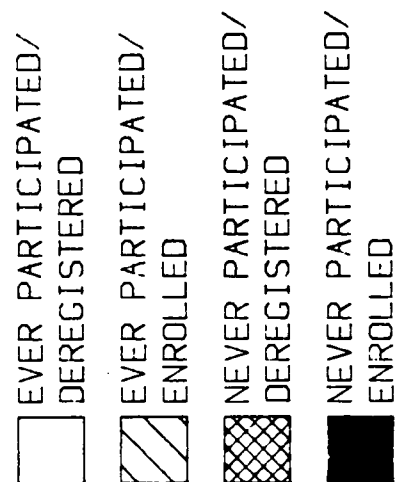
BALTIMORE

TWELVE-MONTH PARTICIPATION STATUS OF AFDC AND AFDC-U  
EXPERIMENTAL REGISTRANTS, BY PROGRAM STATUS AND ASSISTANCE CATEGORY  
DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT



AFDC

AFDC-U



SOURCE: See TABLE 4.9

TABLE 4.9

## BALTIMORE

TWELVE-MONTH PARTICIPATION STATUS OF EXPERIMENTAL REGISTRANTS,  
BY ENROLLMENT STATUS DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT,  
ASSISTANCE CATEGORY, AND WELFARE STATUS  
[NOVEMBER 1982 - DECEMBER 1983 SAMPLE]

Assistance Category	Ever Deregistered	Continuously Enrolled	Total
<u>AFQC</u>			
Applicant			
Ever Participated	27.1***	26.0***	53.0
Never Participated	30.2***	16.8***	47.0
Total	57.2	42.8	100.0 [N=547]
Recipient			
Ever Participated	11.5	41.1	52.7
Never Participated	17.2	30.1	47.3
Total	28.8	71.2	100.0 [N=598]
Both			
Ever Participated	19.0	33.9	52.8
Never Participated	23.4	23.8	47.2
Total	42.4	57.6	100.0 [N=1145]
<u>AFQC-U</u>			
Applicant			
Ever Participated	34.8	15.7**	50.4
Never Participated	41.7**	7.8**	49.6
Total	76.5	23.5	100.0 [N=115]
Recipient			
Ever Participated	25.0	33.3	58.3
Never Participated	16.7	25.0	41.7
Total	41.7	58.3	100.0 [N=24]
Both			
Ever Participated	33.1	18.7	51.8
Never Participated	37.4	10.8	48.2
Total	70.5	29.5	100.0 [N=139]

[continued]



TABLE 4.9 (continued)

Assistance Category	Ever Deregistered	Continuously Enrolled	Total
<u>Total</u>			
Applicant			
Ever Participated	28.4***	24.2***	52.6
Never Participated	32.2***	15.3***	47.4
Total	60.6	39.4	100.0 (N=662)
Recipient			
Ever Participated	12.1	40.8	52.9
Never Participated	17.2	29.9	47.1
Total	29.3	70.7	100.0 (N=622)
Both			
Ever Participated	20.5	32.2	52.7
Never Participated	24.9	22.4	47.3
Total	45.4	54.6	100.0 (N=1284)

SOURCE: MORC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: Figures on program and participation status are calculated as a percentage of all experimentals who registered with Options within three months of random assignment.

Participation is defined as attending any activity for at least three days.

Numbers in parentheses indicate sample sizes.

\*\*Differences between applicants and recipients in the indicated program and participation statuses are statistically significant at the 5 percent level using a chi-square test.

\*\*\*Differences between applicants and recipients in the indicated program and participation statuses are statistically significant at the 1 percent level using a chi-square test.

AFDC and AFDC-U.

Given the higher deregistration rates of applicants compared to recipients in both caseloads, it is not surprising to find that the two subgroups in both categories are distributed quite differently. Thus, as seen in Table 4.9, 30.1 percent of AFDC recipients, but only 16.8 percent of AFDC applicants, remained continuously enrolled but had not participated; for applicants and recipients on AFDC-U, the corresponding proportions were 7.8 and 25.0 percent. However, subgroup differences virtually vanish when the people who remained enrolled without having participated are considered as a proportion of all still-enrolled individuals in their respective assistance categories and welfare statuses. Between 39 and 43 percent of the AFDC applicants and both AFDC and AFDC-U recipients who remained on the rolls had never participated; only among the AFDC-U applicants was this proportion somewhat lower, at about one-third.

What this suggests is that Options staff made only modest efforts to work more intensively with the AFDC-U applicants, the most employable subgroup. In general, the program's "coverage" of the subgroups was similar, so that the different subgroup deregistration rates cannot be attributed to differences in whether or not they were likely to be served by program staff.

As would be expected, given the preceding discussion, marked differences existed in the background characteristics of sample members who fell into each of the four participation/enrollment statuses. Table 4.10 shows these variations for the sample as a whole. (Analyses not presented here show that similar patterns are found when AFDC and AFDC-U enrollees are considered separately.) These differences were, predictably, associated

TABLE 4.10

## BALTIMORE

SELECTED CHARACTERISTICS OF THE EXPERIMENTAL REGISTRANTS  
AT THE TIME OF RANDOM ASSIGNMENT, BY ENROLLMENT STATUS AND PARTICIPATION STATUS  
DURING THE TWELVE MONTHS AFTER RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 AFDC AND AFDC-U SAMPLE)

Characteristic	Deregistered/ Ever Participated	Deregistered/ Never Participated	Continuously Enrolled/ Ever Participated	Continuously Enrolled/ Never Participated	Total
Welfare Status					
Applicant	28.4	32.2	24.2	15.3***	100.0 (N=882)
Recipient	12.1	17.2	40.8	29.8***	100.0 (N=822)
Assistance Category					
AFDC	19.0	23.4	33.9	23.8***	100.0 (N=1145)
AFDC-U	33.1	37.4	18.7	10.8***	100.0 (N=138)
Sex (%)					
Male	30.0	33.0	21.5	15.5***	100.0 (N=233)
Female	18.3	22.9	34.8	24.1***	100.0 (N=1042)
Ethnicity (%)					
White, Non-Hispanic	24.8	31.2	22.5	21.8***	100.0 (N=438)
Black, Non-Hispanic	18.4	21.5	37.1	23.1***	100.0 (N=828)
Hispanic	0.0	20.0	80.0	0.0 <sup>c</sup>	100.0 (N=5)
Other	18.7	41.7	25.0	18.7	100.0 (N=12)
Degree Received (%)					
None	19.9	23.9	35.4	20.8*	100.0 (N=735)
General Equivalency Diploma	20.9	25.3	28.4	27.5	100.0 (N=91)
High School Diploma	20.9	26.6	28.6	23.9	100.0 (N=440)
Marital Status (%)					
Never Married	13.9	20.4	40.3	25.4***	100.0 (N=452)
Married, Living With Spouse	27.9	37.8	20.3	14.0***	100.0 (N=222)
Married, Not Living With Spouse	23.0	22.5	33.6	20.9	100.0 (N=378)
Divorced, Widowed	21.9	23.7	28.0	28.3*	100.0 (N=219)
Prior AFDC Dependency (%)					
Never on AFDC	27.3	32.5	22.0	18.2***	100.0 (N=209)
Two Years or Less	25.4	32.0	21.3	21.3***	100.0 (N=422)
More Than Two Years	14.8	17.6	42.9	24.7***	100.0 (N=843)

(continued)

TABLE 4.10 (continued)

Characteristic	Deregistered/ Ever Participated	Deregistered/ Never Participated	Continuously Enrolled/ Ever Participated	Continuously Enrolled/ Never Participated	Total
Held Job at Any Time During Four Quarters Prior to Random Assignment (%)	28.5	31.3	24.0	18.2***	100.0 (N=578)
Held Job During Quarter Prior to Random Assignment (%) <sup>a</sup>	27.1	34.3	22.5	16.1***	100.0 (N=347)
Total Sample <sup>b</sup>	263	320	414	287	1284

SOURCE: Calculations from MORC Client Information Sheets and Unemployment Insurance earnings records and from the Maryland Employment Service Automated Reporting System.

NOTES: This sample includes experimentals who registered for Options within three months of random assignment.

Distributions may not add exactly to 100.0 percent because of rounding.

Participation is defined as attending any activity for at least three days.

Numbers in parentheses indicate sample sizes.

<sup>a</sup> Calculations from Unemployment Insurance records from the State of Maryland.

<sup>b</sup> For selected characteristics, sample sizes may vary up to eighteen sample points due to missing data.

<sup>c</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\*Differences across statuses are statistically significant at the 10 percent level using a two-tailed t-test or chi-square test.

\*\*Differences across statuses are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

with applicant vs. recipient status. Among both AFDC and AFDC-U enrollees, whites were disproportionately represented among the applicants, and this group was also more likely to be deregistered. AFDC's who had never received welfare in the past (a trait associated with applicant status) were also more likely to be deregistered than those on the rolls for two years or more. Women who had never married were more likely to be recipients and more likely, too, to remain enrolled in the program.

#### E. The Treatment of Individuals Who Did Not Fully Participate

Options was designed as a mandatory program, and the first report pointed out that Options staff viewed it as such. This section considers how they dealt with enrollees who did not participate fully in program components -- both those who never participated at all and those who did but at some point did not attend a scheduled activity. It is useful first to distinguish two subgroups: those who were initially placed in a long-term holding status, and those who were initially assigned to a program activity.

##### 1. Those Initially Placed in Holding Status

As seen earlier, a sizable proportion of all enrollees -- about 30 percent -- were assigned immediately to a long-term holding status, usually because they were already employed, attending school or a training program, or ill or disabled. Program staff maintained contact with these people, and when their situations changed (e.g., their health improved or their schooling ended), they could be required to participate in appropriate activities. This accounts for the rising participation rates over time.

## 2. Those Initially Placed in a Program Activity

Of greater interest to the question of Options' implementation as a mandatory program is the group of people who were initially assigned to an active component or who were assigned after being placed in a short-term holding status. As noted before, a special case file study was conducted of a small sample of those assigned in order to learn more about their behavior.

In 48 of the 70 cases, enrollees did not attend an activity or a session for which they were scheduled. (AFDC and AFDC-U categories did not differ significantly on this measure.) Most commonly, they did not show up initially for a scheduled component or did not attend a reappraisal interview; on occasion, too, attendance dropped off after individuals had initially participated in the assigned activity. In the vast majority of these instances, registrants had what staff considered legitimate reasons for their nonparticipation; only seven of the 48 clients could be considered "noncompliant." The "good cause" reasons most frequently given for nonparticipation included the registrant's own illness or that of a family member, and denial or discontinuation of welfare. Only one person cited difficulty with child-care arrangements.

For their part, Options staff members spent a good deal of time following up on those who were absent from scheduled activities, trying to contact them by telephone or by mail. In three of the seven instances of genuine noncompliance, staff indicated that the individuals were in fact deregistered for noncompliance, an action which, according to program regulations, could have been accompanied by a sanction. However, there was no evidence in the case records that a financial penalty was imposed.

Whether this was due to inadequate communications between Options staff and income maintenance personnel, or to some other factor, could not be determined.

\* \* \* \* \*

The findings presented in this chapter indicate that the participation story in Options is a complicated one. In general, the program succeeded in its goal of ensuring that a sizable proportion of enrollees received employment-related services: 53 percent of all registrants were active in a program component within a year.

This statistic, however, understates the full extent to which Options entrants participated in employment services. Many of the enrollees assigned to long-term holding, and consequently not counted in the 53 percent, were already taking part in school or training. Registrants who were already working or had disabling conditions or illnesses were also placed in holding, and, for some people, assignment to this status was tantamount to an exemption from participation. Nevertheless, those placed in holding were not thereafter totally neglected by Options staff. Rather, their status was routinely monitored, and, if it changed, they could be and often were placed in an active component.

Although there is some reason to think that staff worked a little more intensively with the most employable enrollees -- the AFDC-U applicant group -- they did make strong efforts to serve groups with less promising employability characteristics. They did so by trying to determine, in consultation with enrollees, the program component best suited to their

needs. For those judged inadequate in educational level or lacking a sufficient or recent work history, this meant placement in a GED program or work experience rather than job search. This is in marked contrast to the approach followed by many other programs in MDRC's demonstration of state employment initiatives -- and to some extent to the course taken by the Baltimore WIN Demonstration Program, which has continued to emphasize immediate job entry.

While all the principal subgroups -- applicants and recipients on AFDC and AFDC-U -- participated in Options at quite similar rates, their rates of program exit were very different. This is probably due to some combination of the background characteristics they brought to Options and the kinds of components to which they were assigned.

Despite the substantial rates achieved in Options participation, that participation was in many cases not continuous. Most of those who ever participated were active only in one component, and the program goal of making participation ongoing was not, in general, fulfilled.

Finally, while staff viewed the program as mandatory and actively followed up on absenteeism, sanctioning was infrequent. This was consistent with the Options philosophy that a mandatory requirement should be used to encourage participation rather than to immediately reduce welfare costs.



## CHAPTER 5

### IMPACTS ON EMPLOYMENT, EARNINGS AND WELFARE RECEIPT

This chapter summarizes the short-term employment and earnings impacts, as well as changes in welfare receipt and payments, that were found to result from the Options Program in Baltimore. The chapter concentrates first on program impacts for the full AFDC sample which constitutes 88.9 percent of the total impact sample (2,703 AFDC's; 337 AFDC-U's). These main results are based on data collected over a 15-month period following random assignment. Impacts are also measured for a smaller sample of early AFDC enrollees who were tracked for 24 months to see if program impacts tended to grow or decline over more time. As part of this analysis, the chapter considers impacts for individuals enrolling in the program during two different calendar periods to examine impact stability.

The chapter then assesses the data separately for two principal sets of AFDC subgroups, applicants and recipients -- each of which accounts for about half the AFDC sample -- as well as impacts for individuals with different employment histories. It is important to bear in mind throughout the subgroup discussion that, while the sample's applicants are a cross-section of all WIN-mandatory applicants in Baltimore, the recipient sample is not a cross-section of all WIN-mandatory recipients in the caseload. The only recipients in the Options sample were those who were newly determined mandatory during the research period, usually because their youngest child had recently turned six.

The chapter concludes by summarizing impact trends for the AFDC-U assistance category, in which the limited sample size (337) precluded reliable in-depth analysis. However, the difference in welfare and WIN regulations for AFDC-U's, combined with the different child-care constraints on labor market participation, made separate analysis of this category advisable.

It should be noted once more that impacts cannot be attributed separately to job search, work experience, education or training, but only to the combination of these activities that defined the Options Program as it operated during the demonstration period.

#### A. Analysis Issues

As discussed in Chapter 2, an experimental design was used to estimate the impacts of the Options Program, with random assignment generating two study groups: an experimental group offered the program treatment and a control group which received no special services but only the limited WIN services then in effect. As explained in Chapter 2, random assignment produced groups similar in demographic and measurable background characteristics so that any statistically significant outcome differences between the two groups can be attributed to the program treatment. Observational and other data indicate that the planned service differences between research groups were maintained for the duration of the study. At many places in this chapter, the experiences of controls alone will be discussed to provide a description of typical behavior without Options services.

The AFDC sample consists of a total of 2,703 individuals (1,364 applicants and 1,339 recipients) split roughly in half between experimental and

control groups.<sup>1</sup> These individuals, who were randomly assigned between November 15, 1982 and the end of December 1983, were all tracked for at least five quarters, a follow-up period sufficient to produce short-term impacts.

Throughout this chapter, impacts were calculated by comparing the employment, earnings and welfare outcomes for the full AFDC experimental group -- both participants and nonparticipants<sup>2</sup> -- to those of all corresponding AFDC controls. Impacts were also estimated separately for certain AFDC subgroups -- one important set based on applicant and recipient status and the other on prior employment. In order to present the most accurate estimates, key impacts in all cases were adjusted using multivariate regression techniques. However, it should be noted that, while the total sample size was sufficient to produce statistically reliable indications of program effects, the estimated impacts show the direction and probable magnitude of effects rather than exact percentages or dollar amounts. In addition, the estimates of subgroup impacts are less precise because of smaller sample sizes.

#### B. Data Issues

As explained in Chapter 2, Unemployment Insurance (UI) earnings records and records of AFDC payments, both maintained by the State of Maryland, were used to measure employment, earnings and welfare impacts. The use of administrative records offers several advantages as well as certain limitations. First, collection of these data is less expensive than conducting personal interviews. Second, the data may be more complete because sample members need not be located months after many have left the

program. Third, the technique does not rely on respondents' recall of exact dollar amounts, either in earnings or welfare payments. Finally, and most importantly from the viewpoint of design validation, the possibility of bias is reduced since records data can be presumed to have fewer problems caused by different experimental and control response rates.

Administrative records are, however, restricted in the kinds of outcomes they can measure and in their completeness and sample coverage. For example, reported UI earnings for one person should not be equated with the total non-welfare income of that person's family.

#### 1. Welfare Payments Data

The records of benefit payments are organized for this study in the following way: the calendar month when an individual was randomly assigned is designated as "month one," and each subsequent month is given the next number in sequence. Welfare quarters are thus groups of three months that do not necessarily coincide with calendar quarters. Statistics in quarter three, for example, always refer to a person's payment two quarters after the quarter of random assignment, without regard to the calendar date. No payments data are available prior to the point of random assignment.

In this analysis, welfare receipt is calculated as the proportion of the research group receiving any payment during that quarter; welfare payments are presented as the average dollar payment, and that average includes zeroes for individuals who received no payment. Welfare payments data include the amount of the basic AFDC grant but not the value of supplemental AFDC payments,<sup>3</sup> Food Stamps or Medicaid.

#### 2. Earnings Data

Unemployment Insurance earnings data are kept by calendar quarter

rather than by month; the first quarter of follow-up in this study could thus include up to two months of pre-program earnings, depending on when in a quarter random assignment occurred. For example, quarter one data for individuals randomly assigned in December 1983 contained any earnings for October and November, as well as December. For this reason, the first quarter is not considered a true follow-up quarter. This data organization also means that impact quarters for UI and AFDC data only roughly correspond.

As in the case of welfare receipt, employment rates are defined as the proportion of the research group receiving any earnings in a quarter, and average earnings include zeroes for non-earners. UI earnings records do not cover all earnings, however. Employers in some segments of the labor market may underreport employees' earnings to UI, and the earnings of certain groups (such as agricultural workers on small farms and domestic workers paid less than \$1,000 in a quarter -- the latter an occupational category relevant to this population) need not be reported in Maryland. Regular audits of the UI system are, however, carried out by state and federal staffs. Moreover, there is no reason to suspect that underreporting affected experimentals and controls differently, and it is consequently not considered a source of serious bias.

One further consideration is important to note. It is well known that, in accurate earnings data, the dollar difference between people who earn a lot and people who earn a little is typically rather large. A good deal of variation tends to exist in any study, and this normal variation can affect the precision of any estimates of earnings impacts.<sup>4</sup> Earnings impacts should therefore be considered somewhat less precise than the other

outcome measures: employment, welfare incidence and payments.

Throughout the chapter, impacts are usually reported for the full five-quarter follow-up period. However, the fifth quarter alone (or the eighth quarter when that is available) will often be cited as the one of most interest since it represents the furthest point from random assignment. In earlier quarters, some registrants were still participating in program activities, so the full program effect would not yet be evident. Moreover, the point-in-time impact furthest away from random assignment may be indicative of longer-term program trends.

C. Short-Term Impacts for the Full AFDC Sample

As the first step in determining Options impacts, outcomes for the full sample of AFDC experimentals were compared to those of the full sample of AFDC controls. Overall, as shown in Table 5.1, there was an improvement in the employment outcomes of experimentals but virtually no reduction in welfare receipt.

For quarters two through five, the summary employment outcomes were both higher for the experimental group. Percent ever employed and number of quarters with employment were higher by about one-seventh over controls, and the gains were statistically significant for both of these measures. The "ever employed" rate for the second through fifth quarters for experimentals was 51.2 percent compared to 44.2 percent for controls, a gain, or an impact, of 7.0 percentage points.

On a quarter-by-quarter basis, experimental-control employment differences achieved statistical significance in the quarter after random assignment and remained significant for all succeeding quarters, with the

TABLE 5.1

## BALTIMORE

ALL AFDC: SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT, EARNINGS,  
AND AFDC RECEIPT DURING THE FIVE QUARTER POST-RANDOM ASSIGNMENT FOLLOW-UP PERIOD  
(NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Outcome and Follow-Up Period	All AFDC: Applicants and Recipients		
	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	51.2	44.2	+7.0***
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.31	1.15	+0.16***
Ever Employed (%)			
Quarter of Random Assignment	28.1	26.4	+1.6
Quarter 2	27.2	24.0	+3.2**
Quarter 3	32.4	27.8	+4.5***
Quarter 4	34.7	31.8	+3.1*
Quarter 5	36.5	31.6	+5.0***
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	1935.15	1758.74	+176.41
Average Total Earnings (\$)			
Quarter of Random Assignment	281.89	255.89	+26.00
Quarter 2	318.55	332.99	-14.44
Quarter 3	467.80	408.24	+59.56*
Quarter 4	570.65	504.59	+66.06
Quarter 5	576.16	512.92	+63.24
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	84.8	85.1	-0.2
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	11.14	11.28	-0.15
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	92.5	92.1	+0.4
Quarter 2	87.3	87.5	-0.2
Quarter 3	77.4	78.2	-0.8
Quarter 4	71.7	73.2	-1.5
Quarter 5	66.8	70.4	-1.7
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3058.03	3064.12	-6.09
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	978.48	872.22	+106.26
Quarter 2	878.55	671.53	+207.02
Quarter 3	593.68	593.42	+0.26
Quarter 4	563.68	569.22	-5.54
Quarter 5	542.68	557.73	-15.05
Sample Size	1331	1372	

TABLE 5.1 (continued)

SOURCE: MDRC calculations from State of Maryland welfare and Unemployment Insurance records.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. These data are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. There may be some discrepancies in calculating sums and differences due to rounding.

For employment and earnings, the quarter of random assignment refers to a calendar quarter. For AFDC payments, the quarter of random assignment refers to the three months beginning with the month in which an individual was randomly assigned.

<sup>a</sup> Quarter 1, the quarter of random assignment, may contain some earnings from the period prior to random assignment and is therefore excluded from the measures of total follow-up employment and earnings.

A two-tailed t-test was applied to differences between experimental and control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.



difference highest in the last quarter of follow-up. The increase in impacts, however, was not a smooth one, so it is not possible to infer from the table whether impacts will remain stable or continue to grow after the observation period. Nevertheless, by quarter five, the experimental employment rate of 36.5 percent was 5.0 percentage points higher than the control group rate of 31.6 percent, a statistically significant increase.

Earnings were up for experimentals, although the gains were not evident until quarter three. Combined earnings for quarters two through five rose by \$176, from \$1,759 for controls to \$1,935 for experimentals. The \$65 gain in the fifth quarter amounted to a 12.7 percent increase relative to the control group baseline of \$513 in that period. Earnings impacts, however, were not generally statistically significant, primarily because of the typically wide dispersion and skew of the earnings measures. As is the case for employment, it cannot be said whether earnings impacts will increase, hold steady or begin to fade after the fifth quarter.

The employment gains of the Options Program over WIN were not accompanied by immediate reductions in welfare outcomes. Neither measure -- the proportion receiving welfare or the average welfare benefit -- showed any statistically significant experimental-control differences within the follow-up period. In the fifth quarter -- when the difference was largest -- 70.4 percent of controls received welfare compared to 68.8 percent of experimentals, for a 1.7 percentage point difference that was not statistically significant. The summary measure also revealed only a negligible reduction in the incidence of AFDC receipt during the follow-up period. During quarters one through five, controls received payments for an average of 11.29 months compared to 11.14 months for experimentals.

The decline in welfare payments was similarly small. Average total benefits paid over the 15 months after random assignment amounted to \$3,064 per control and \$3,058 per experimental, for almost no savings in welfare expenditures. Even in the fifth quarter, welfare savings of only \$15 per experimental were being realized, as payments were down from the control group level of \$558 to \$543. This represents a 2.7 percent reduction in benefit expenditures for that quarter.<sup>5</sup>

The finding of a reduction in welfare that is smaller than the increase in employment may be partly explained by two factors, one being the regulations governing welfare eligibility and benefit amounts. As described in Chapter 3, part-time and intermittent workers whose total income is less than 150 percent of the standard of need may remain eligible for welfare. Moreover, an extra dollar earned reduces benefits by less than a dollar because of the \$30 plus 1/3 disregard and allowable deductions from gross earnings for work-related expenses such as child care. Another reason may be a possible lack of communication about changes in earnings, either between Options and income maintenance staffs, or between welfare recipients and the income maintenance unit. These factors, as well as lags in recalculating grant levels, may all have played a role in weakening the link between employment gains and welfare reductions.

Data on two kinds of transfer payments -- both much smaller amounts than the basic AFDC welfare grant -- were also examined for possible program impacts. The first of these, AFDC supplemental payments, are one-time emergency payments for needs such as shelter, clothing and transportation. All told, for the 15-month follow-up, controls on average received only \$89 in supplemental payments (regression-adjusted) and experiment-

als, \$91 -- essentially no difference. Unemployment Insurance benefits data were also collected and showed a slight, although not statistically significant, decline. Counting quarters two through five, the regression-adjusted average for AFDC controls was just under \$190 in total UI compensation compared to \$172 per experimental, for a difference of \$17 over the year.

As is the case for welfare data, earnings impacts are sometimes difficult to interpret. The simple difference in average earnings presented in Table 5.1, for example, does not answer an important question: Did the employment gain of experimentals take place only at the low end of the earnings scale, or was there a more balanced upward shift? Table 5.2 examines this question, showing the distribution of earnings in the fifth follow-up quarter, as defined in Table 5.1. In the top panel, the table has split the sample into three groups: those with no earnings; those making \$1,500 or less for the quarter (approximately the minimum wage at 35 hours per week for 13 weeks); and those earning more than that amount. Just under half of the employed persons in the control group earned more than \$1,500 in the fifth quarter and the same was true for experimentals.

Table 5.2 shows that the Option Program caused 5.0 percent of the experimental group to move from the "no earnings" category to the one with positive earnings; that is, they became employed because of the program. This is the employment impact for quarter five seen in Table 5.1. The breakdown in Table 5.2 goes on to show that almost half of this increase in employment -- 2.2 out of the 5.0 percentage points -- took place in the higher-earnings category. The other 2.7 percentage points occurred in the category where employment yielded earnings less than \$1,500.

TABLE 5.2

## BALTIMORE

ALL AFDC: SHORT-TERM IMPACTS OF THE BALTIMORE OPTIONS PROGRAM  
ON THE DISTRIBUTION OF EARNINGS AND MEASURED INCOME FOR THE RESEARCH SAMPLE  
AT THE FIFTH QUARTER AFTER RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Employment and Welfare Outcomes <sup>a</sup>	ALL AFDC: Applicants and Recipients		
	Experimentals	Controls	Difference
Average Total Earnings, Quarter 5 (%)			
None	63.5	68.4	- 5.0***
\$1 - 1500	20.4	17.7	+ 2.7*
More Than \$1500	16.1	13.9	+ 2.2*
Total	100.0	100.0	0.0
Employment and Welfare Status (%)			
Had <u>No</u> Earnings, Received <u>No</u> AFDC Payments	12.2	12.7	- 0.5
Had <u>Some</u> Earnings, Received <u>No</u> AFDC Payments	17.4	15.2	+ 2.2
Had <u>No</u> Earnings, Received <u>Some</u> AFDC Payments	51.3	55.7	- 4.4**
Had <u>Some</u> Earnings, Received <u>Some</u> AFDC Payments	19.2	16.3	+ 2.8*
Total	100.0	100.0	0.0
Average Measured Income, <sup>b</sup> Quarter 5 (%)			
None	12.2	12.7	- 0.5
\$1 - 1500	68.4	69.3	- 2.9*
More Than \$1500	21.4	18.0	+ 3.4**
Total	100.0	100.0	0.0
Average Measured Income (\$)	1131.29	1079.26	+52.04
Sample Size	1331	1372	

(continued)

TABLE 5.2 (continued)

SOURCE: MDRC calculations from State of Maryland welfare and Unemployment Insurance records.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. These data are regression-adjusted using ordinary least squares, controlling for pre-enrollment characteristics of sample members. There may be some discrepancies in calculating sums and differences due to rounding.

<sup>a</sup> Monthly welfare data, which count the month of random assignment as "month one," were regrouped into calendar quarters that exactly match Unemployment Insurance earnings quarters. Percentages receiving welfare will therefore not precisely match other text tables.

<sup>b</sup> "Average measured income" is defined as personal earnings plus welfare payments received during a quarter.

A two-tailed t-test was applied to differences between Experimental and Control groups. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent. The distributed differences are not, however, strictly independent.

The second panel of Table 5.2 continues the breakdown by cross-classifying the employment gains with the welfare status of individuals in the same fifth quarter. For this purpose, welfare data were regrouped so that the fifth quarter of welfare exactly matched the fifth quarter of UI earnings. The effect of the Options Program was to shift individuals from the category of "not working/receiving welfare" more or less evenly into the categories of "working/receiving welfare" and "working/not receiving welfare." Some 2.8 percent of the sample began working, but were still receiving some welfare, while 2.2 percent were working and off welfare for the full three months. Overall, about 4.4 percentage points of the 5.0 percentage point employment increase came to people who were not working but receiving welfare.

It thus appears that, while a substantial portion of individuals began working, the earnings gain was not always immediately offset in personal income by a reduction in welfare receipt. To examine this, the third panel of Table 5.2 adds the experimentals' own earnings to the amount of AFDC payments recorded in their cases and breaks down the shift in the distribution, again using the \$1,500 cut-off. The total is labeled "measured income" to emphasize the fact that it does not contain all of a family's income, excluding as it does transfer payments other than AFDC welfare and the earnings of other family members. It nevertheless appears that the program did not adversely influence the income distribution of experimentals. Rather, it moved some individuals out of the zero and low "measured-income" categories into the high one. The gain in income amounted on average to \$52 per experimental, a 4.8 percent increase over the control group that was not statistically significant.

These several findings indicate that the employment gains achieved by the Options Program were not created by moving more workers into the lower earnings categories, nor was the employment increase accompanied by an immediate shift off welfare of comparable magnitude. Consequently, there was no major decrease in the combined contribution of personal earnings and welfare to family income by the last quarter of observation. Rather, there may have been a small increase.

D. How Long Do Impacts Last?

Impacts of a program are more important the longer they last. Programs that permanently change behavior achieve more in the long run than programs causing only temporary change. To see whether the Options Program impacts extended beyond the 15-month follow-up period, a separate analysis was conducted on the earliest group of enrollees (those who entered the sample from November 1982 through March 1983) who consequently had longer follow-up data than the full sample: eight quarters of UI earnings and AFDC payments records.

Impacts on employment and welfare receipt for this early group are presented in Table 5.3. However, as noted earlier, sample sizes are smaller, and impact estimates are less precise and less likely to attain statistical significance than those for the full sample followed for 15 months. This group also entered the Options Program during its start-up phase so the magnitude of the impacts may not be typical of those found for groups entering later. (In fact, as shown in the next section, they were quite similar.) Exact size of these impacts, however, is of less importance than the general movement of impacts over a longer period of

TABLE 5.3

## BALTIMORE

ALL AFDC: LONGER-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT, EARNINGS,  
AND AFDC RECEIPT DURING THE EIGHT QUARTER POST-ENROLLMENT FOLLOW-UP PERIOD  
[NOVEMBER 1992 - MARCH 1993 IMPACT SAMPLE]

Outcome and Follow-Up Period	All AFDC: Applicants and Recipients		
	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 8 (%) <sup>a</sup>	58.8	54.2	+4.6
Average Number of Quarters With Employment, Quarters 2 - 8 <sup>a</sup>	2.35	2.10	+0.25*
Ever Employed (%)			
Quarter of Random Assignment	22.9	22.4	+0.4
Quarter 2	25.1	22.7	+2.5
Quarter 3	32.7	24.9	+7.8***
Quarter 4	34.0	30.6	+3.3
Quarter 5	33.3	29.7	+3.6
Quarter 6	36.2	32.3	+3.9
Quarter 7	36.5	34.5	+2.0
Quarter 8	37.3	34.9	+2.4
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	47.7	41.3	+6.5**
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.25	1.08	+0.17**
Average Total Earnings, Quarters 2-8 (\$) <sup>a</sup>	3991.51	3223.29	+989.22*
Average Total Earnings (\$)			
Quarter of Random Assignment	233.41	229.72	+3.70
Quarter 2	263.39	277.44	-14.05
Quarter 3	419.52	351.59	+87.93
Quarter 4	530.10	431.79	+98.31
Quarter 5	552.59	457.19	+95.40
Quarter 6	853.60	486.50	+157.10**
Quarter 7	692.80	585.78	+107.02
Quarter 8	778.52	823.01	+158.52**
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	1765.59	1519.00	+247.59

[continued]



TABLE 5.3 (continued)

Outcome and Follow-Up Period	All AFDC: Applicants and Recipients		
	Experimentals	Controls	Difference
Ever Received Any AFDC Payment, Quarters 1 - 8 (%)	85.1	85.5	-0.4
Average Number of Months Receiving AFDC Payments, Quarters 1 - 8	18.82	17.02	-0.40
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	94.3	83.7	+0.8
Quarter 2	88.1	88.3	-0.3
Quarter 3	79.2	76.7	-0.5
Quarter 4	72.9	75.9	-3.0
Quarter 5	68.1	71.5	-3.4
Quarter 6	84.8	68.0	-3.2
Quarter 7	61.6	83.6	-2.0
Quarter 8	57.4	58.8	-1.4
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	84.8	85.3	-0.4
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	11.42	11.81	-0.18
Average Total AFDC Payments Received, Quarters 1 - 8 (\$)	4602.66	4668.20	-66.21
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	712.60	666.62	+16.16
Quarter 2	887.48	684.34	+13.12
Quarter 3	804.87	613.04	-8.17
Quarter 4	572.85	588.60	-13.74
Quarter 5	526.47	557.78	-28.31
Quarter 6	503.60	533.64	-30.34
Quarter 7	501.38	522.60	-21.42
Quarter 8	460.58	494.06	-13.53
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3117.45	3138.37	-20.62
Sample Size	488	518	

SOURCE AND NOTES: See Table 5.1.

time and what this movement says about short-term patterns.

First, it is useful to answer several key questions about the patterns of normal job finding and natural caseload turnover -- i.e., the behavior of the control group -- because these set the benchmarks for judging program achievements. (See Chapter 3.) Inspection of Table 5.3 and the accompanying Figure 5.1 shows that the employment of the control group gradually increased over time. Starting from 22.4 percent in the quarter of random assignment, control group employment climbed gradually through the eighth quarter to 34.9 percent, at which point it was still rising. During the same follow-up period, the welfare receipt of controls declined even more smoothly, dropping from a maximum of 94 percent in the random assignment quarter to under 60 percent in quarter eight. This kind of caseload turnover takes place under the regular WIN Program without any special level of services, partly because a good many controls find employment on their own and partly because of other factors not related to employment.

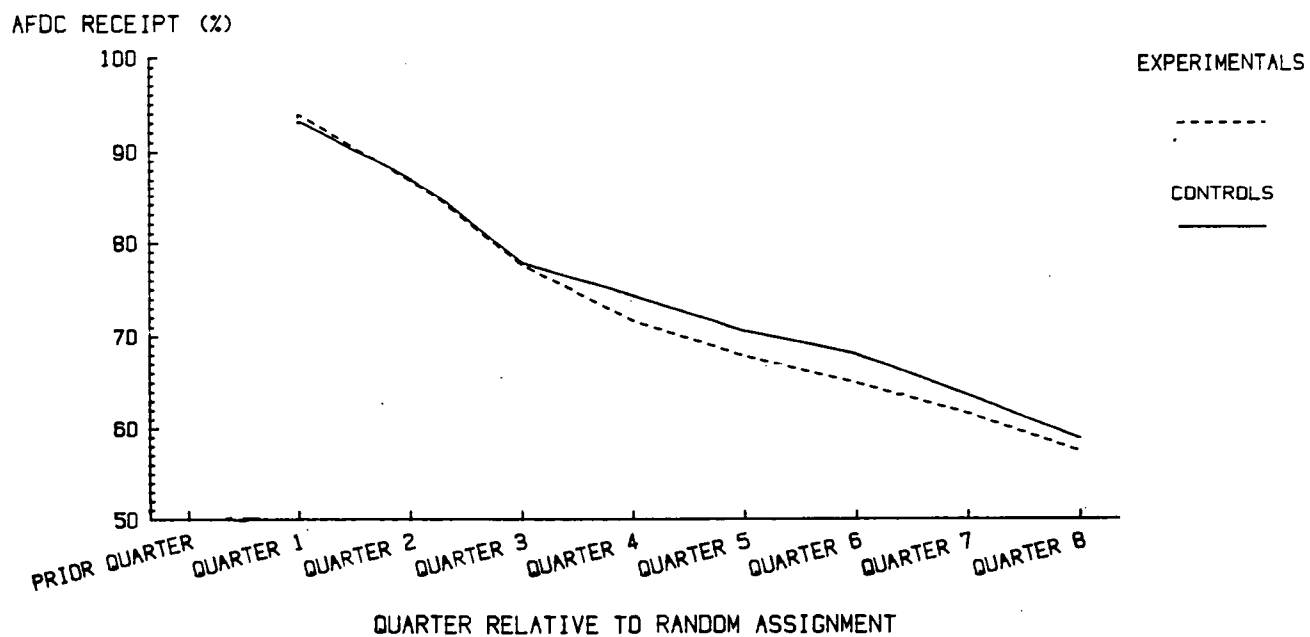
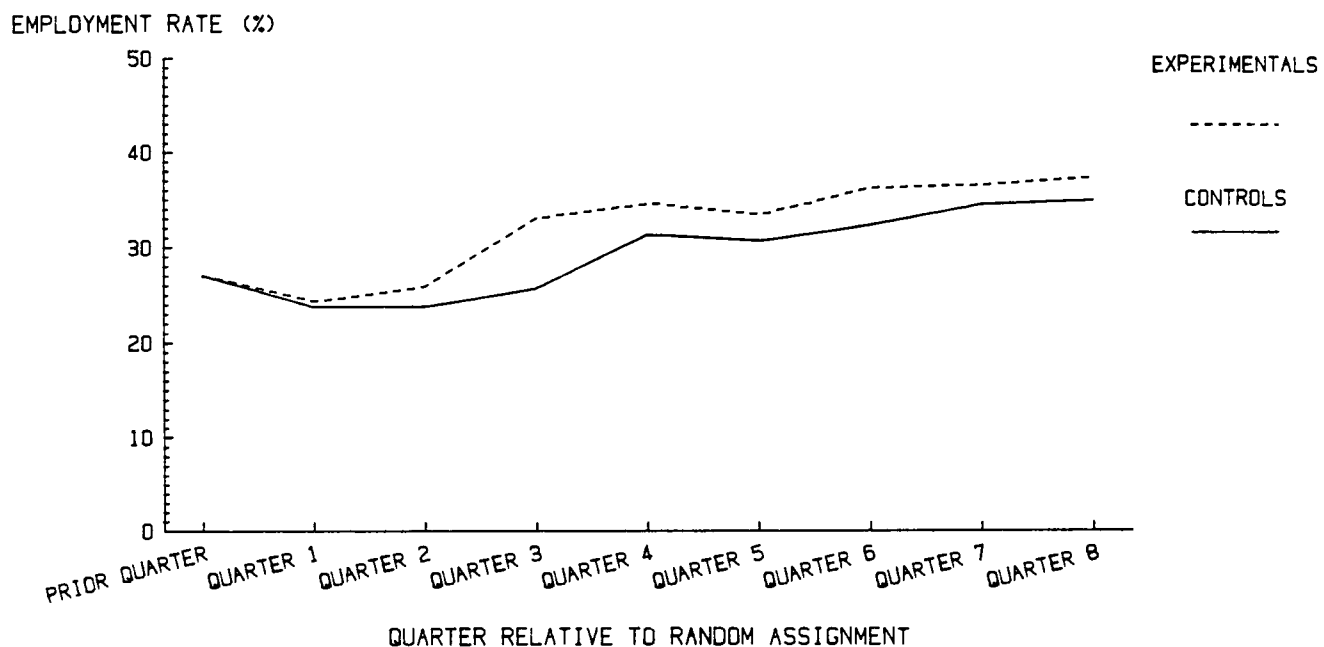
A major question is then: Will the control rate of employment eventually overtake the level of experimentals, eliminating the experimental-control difference that constitutes the program impact? Or conversely: Will the program's influence on the behavior of experimentals gradually "wear off," causing these persons to resume normal work and welfare patterns? In the language of employment program evaluations: Do the impacts decay, and, if so, how soon?

Examination of Table 5.3 reveals conflicting and inconclusive evidence on these questions. Impacts on employment, welfare incidence and benefit amounts all show the possible onset of decay during the second year of

FIGURE 5.1

BALTIMORE

ALL AFDC: LONGER-TERM POST-RANDOM ASSIGNMENT  
EMPLOYMENT AND AFDC RECEIPT FOR THE RESEARCH SAMPLE  
IN THE EIGHT QUARTER FOLLOW-UP PERIOD



SOURCE: See Table 5.3.

follow-up. But interestingly, impacts on the amount of earnings were higher during the period of extended follow-up than during the first program year. This earnings increase for experimentals was evident in all of the extended follow-up quarters where, in each case, the gain was higher than in any of the first five quarters. At the eighth observation quarter, experimentals earned an average of \$780 against an average of \$623 for controls. The difference of \$157 is statistically significant and represents a 25.1 percent increase in earnings per experimental relative to the control group mean. These results are consistent with the aim of the Options model, which not only provides immediate job search assistance, but also services such as training designed to increase the long-term earnings potential of participants.

On the negative side, employment gains for the longer-term subsample reached 3.9 percentage points at quarter six, but dropped in the two quarters thereafter. The reduction in welfare incidence also leveled off in quarters four, five and six -- an experimental-control difference of slightly more than 3 percentage points -- and then moved downward. AFDC dollar savings followed this same pattern, with the peak benefit reduction of \$30 per experimental achieved in quarter six, followed by a decline in savings through quarters seven and eight. The top dollar savings of quarter six amounts to 5.7 percent of the control group mean for welfare payments in that quarter.

Because the employment baseline is still increasing and the welfare baseline still decreasing at the eighth quarter, it is not possible to state with certainty the long-run level of impacts for those variables.

E. Are Impacts Similar for Enrollment Periods?

The extended period of follow-up just analyzed for the early group of Options experimentals need not be typical of later ones. Evaluations of other employment programs have shown that impacts can sometimes vary for sample groups enrolled at different periods of time, depending on differences in program practices, characteristics of the samples and general labor market conditions. This section compares impacts for the AFDC subsample with the extended follow-up (November 1982 through March 1983) to those of a later group of sample enrollees (April through December 1983).

Any of several factors could have caused systematic differences in impacts across groups entering Options during different calendar periods. The full evaluation, which ran from November 1982 through March 1985, began during the Options Program's start-up phase, although program implementation and coordination went quite smoothly from the beginning. Characteristics of the two groups did differ, as noted in Chapter 2, but not markedly so. However, throughout the demonstration period, Baltimore's continuing recovery from a national economic recession led to improved job prospects for program experimentals and controls alike.

Table 5.4 compares the summary estimates of Options Program impacts on the employment and welfare measures for the November 1982 through March 1983 sample from Table 5.3 and the April through December 1983 sample. Figure 5.2 plots the control group levels for the later sample against the earlier extended follow-up sample. (A complete set of estimates for the later sample is displayed in Table 5.5.) On the whole, the patterns of employment and welfare receipt are seen as quite similar for the two groups, as evidenced by the close correspondence of estimates in Table 5.4.

TABLE 5.4

## BALTIMORE

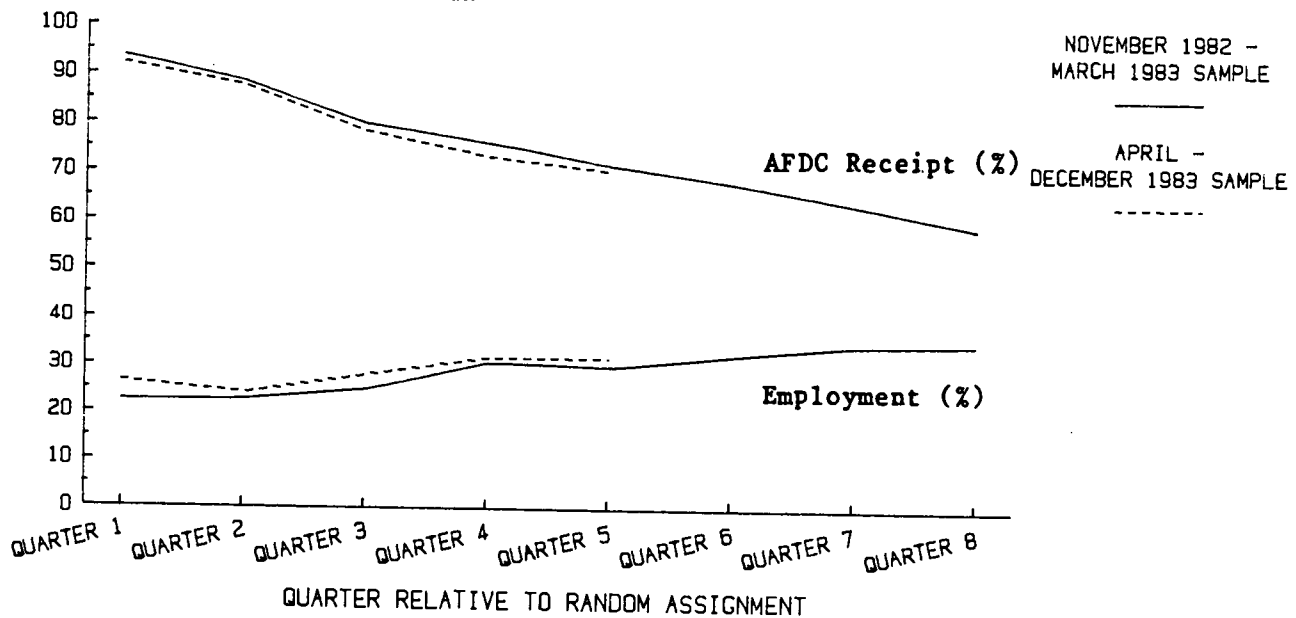
ALL AFDC: SUMMARY COMPARISON OF CONTROL GROUP OUTCOMES AND SHORT-TERM IMPACTS FOR  
THE OPTIONS PROGRAM FOR EARLY AND LATE SAMPLE ENTRANTS  
[NOVEMBER 1982 - MARCH 1983 AND APRIL - DECEMBER 1983 IMPACT SAMPLES]

Outcomes	All AFDC: Applicants and Recipients			
	November 1982 - March 1983		April - December 1983	
	Controls	Difference	Controls	Difference
Ever Employed, Quarters 2 - 5 (%)	41.3	+6.5**	45.7	+7.9***
Average Number of Quarters With Employment, Quarters 2 - 5	1.08	+0.17**	1.19	+0.17**
Average Total Earnings, Quarters 2 - 5 (\$)	1518.00	+247.59	1891.19	+163.34
Ever Received Any AFDC Payment, Quarters 1-5 (%)	95.5	-0.4	94.9	-0.01
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	11.61	-0.19	11.10	-0.15
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3138.37	-20.92	3024.93	-9.39

FIGURE 5.2

## AFDC CONTROLS: COMPARISON OF CONTROL GROUP OUTCOMES

RATES OF EMPLOYMENT AND AFDC RECEIPT (%)



SOURCE: The estimates in this table are taken from Tables 5.3 and 5.5. Experimental group means are not shown here.

TABLE 5.5

## BALTIMORE

ALL AFDC: SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT, EARNINGS,  
AND AFDC RECEIPT DURING THE FIVE QUARTER POST-RANDOM ASSIGNMENT FOLLOW-UP PERIOD  
(APRIL - DECEMBER 1983 IMPACT SAMPLE)

Outcome and Follow-Up Period	ALL AFDC: Applicants and Recipients		
	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	53.6	45.7	7.9***
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.35	1.19	0.17**
Ever Employed (%)			
Quarter of Random Assignment	31.5	28.7	+2.8*
Quarter 2	28.5	24.7	+3.8*
Quarter 3	32.6	29.4	+3.2
Quarter 4	35.5	32.0	+3.5
Quarter 5	38.7	32.5	+6.2***
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	2054.53	1891.18	+163.34
Average Total Earnings (\$)			
Quarter of Random Assignment	282.43	268.65	+13.77
Quarter 2	355.15	383.79	-8.84
Quarter 3	504.30	436.40	+67.89
Quarter 4	600.08	544.80	+55.28
Quarter 5	595.01	546.20	+48.81
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	94.8	94.9	-0.01
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	10.96	11.10	-0.15
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	91.4	91.1	+0.3
Quarter 2	87.0	86.9	+0.0
Quarter 3	78.1	77.5	-1.4
Quarter 4	70.9	71.7	-0.8
Quarter 5	89.0	89.8	-0.9
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3015.54	3024.93	-9.39
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	659.28	657.34	+1.94
Quarter 2	687.18	683.76	+3.40
Quarter 3	585.25	583.34	+1.91
Quarter 4	555.88	560.86	-4.88
Quarter 5	548.18	559.83	-11.65
Sample Size	832	854	

SOURCE AND NOTES: See Table 5.1.

The later control group does show somewhat higher employment and lower welfare receipt in every quarter, consistent with the improvement in general economic conditions during the follow-up period, but impacts appear to be of comparable magnitude for the early and late groups.

For example, in the fifth quarter, controls in the group enrolled later have a 32.5 percent employment rate compared to a 29.7 percent employment rate for controls with the extended follow-up. Similar differentials between the early and late control groups show up in the other quarters and in the summary measures for employment. Earnings for the later controls are also somewhat higher. A slightly lower rate of welfare incidence prevails in each quarter for the later controls -- typified by the summary measure and by quarter five receipt rates of 69.9 percent vs. 71.5 percent. The same pattern is seen in most of the comparisons of average welfare payments.

These differences in the experience of controls are not pronounced. There is no strong discrepancy between any of the employment or welfare impacts for the two subsamples, and none of the minor differences in impacts for any quarter or summary measure approaches statistical significance. The more favorable labor market for the later control group could have had the effect of narrowing the experimental-control employment differential somewhat, but did not. Quarterly employment gains were similar and the summary employment impacts coincided quite closely: 7.9 and 6.5 percentage points for "ever employed;" 0.17 and 0.17 quarters for the total quarters with employment. Earnings gains for the later subsample are below those of the earlier one, but it is not clear that the difference is large enough to be important. Again, the absence of significant immediate



welfare reductions in response to modest gains in employment pertains to the later subsample as well as the earlier one.

These observations suggest that the combination of program start-up, economic recovery and changing sample demographics had little influence on the effectiveness of the Options Program in Baltimore. A major increase or decrease in program effectiveness was not evident. It is, however, possible that within the main AFDC sample, there were particular demographic subgroups who benefited more than others from the Options services, and the chapter now turns to this analysis.

#### F. Short-Term Impacts for AFDC Applicant and Recipient Subgroups

In this section, impacts are examined separately for the applicant and recipient subgroups, which divide the full AFDC sample almost exactly in half: 1,364 are applicants, 1,339 recipients. The term "applicant" is used for individuals who entered the research because they had just applied for welfare; these individuals kept that designation even though many of them began receiving AFDC during the follow-up period and technically became recipients. Similarly, those classified as "recipients" at random assignment kept that designation even if they left welfare during the observation quarters.

These subgroups were analyzed separately because different pre-program welfare and employment experiences, as well as demographic characteristics, were expected to create different patterns of impacts. (See Chapter 3.) This was in fact the case: one unanticipated finding of the study was that the total short-term employment impacts of the Options Program resulted more from the changed behavior of the applicant portion of the sample than

from the recipients' somewhat smaller gains.

While this finding adds to the growing body of subgroup findings in other studies, caution should be exercised in applying it directly to policy formation. The measured differences in the short-term impacts between these subgroups are not large enough to be statistically significant in samples of this size. They are also not of sufficient size to support a policy recommendation to target resources on one group over the other.

#### 1. Short-Term Impacts on AFDC Applicants

Table 5.6 presents the short-term impacts of the Options Program on employment, earnings and welfare receipt of AFDC applicants in the November 1982 through December 1983 sample over the 15-month follow-up period. It is first helpful, however, to examine the work and welfare histories for applicants prior to welfare application as portrayed in Figure 5.3.<sup>6</sup>

Applicants' pattern of pre-program employment was quite stable: the sample attained an employment rate of just over 40 percent in each of the four quarters prior to welfare application. In all, 61.4 percent were recorded as having UI earnings at some time during these quarters. This extensive recent work experience does not by any means imply that applicants had been self-supporting over this period. More than three-quarters reported having had their own welfare case at some time in the past, over a third for more than two years. Moreover, as noted in Table 5.6, in excess of 92 percent of both control and experimental applicants were approved for welfare during the follow-up period and received some welfare payments during that time. A substantial portion of the applicant subsample, then, was acquainted with both work and welfare.

TABLE 5.6

## BALTIMORE

AFDC APPLICANTS: SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT, EARNINGS, AND AFDC RECEIPT DURING THE FIVE QUARTER POST-ENROLLMENT FOLLOW-UP PERIOD (NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

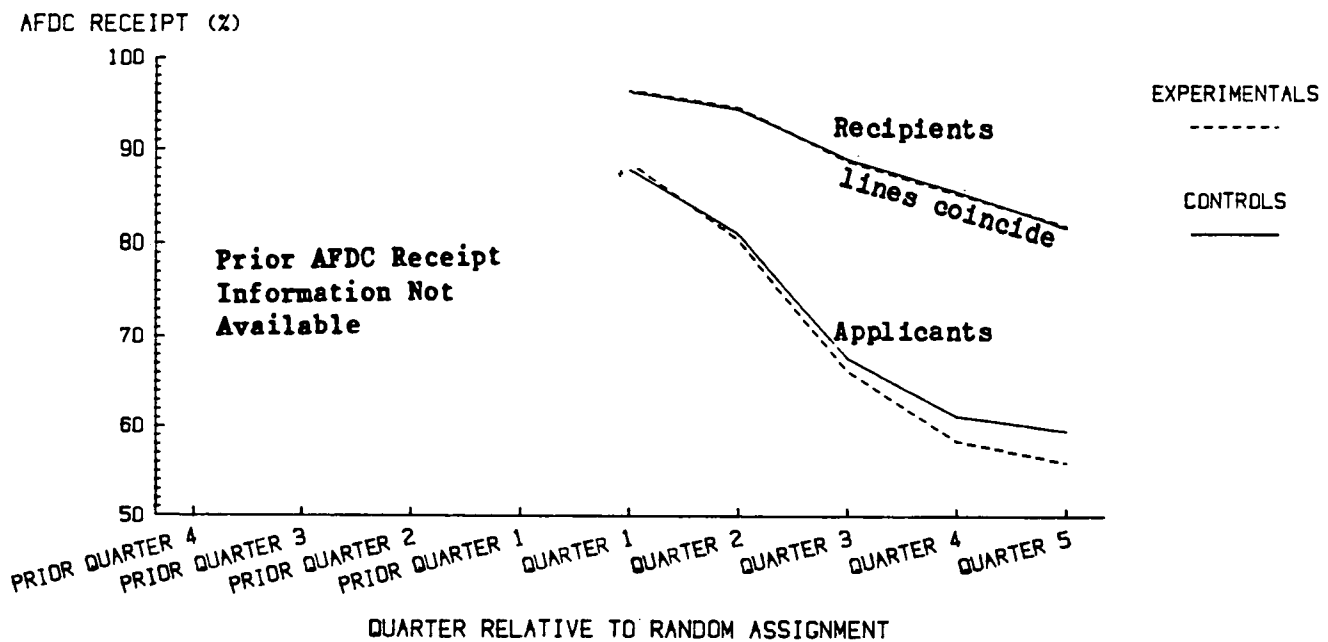
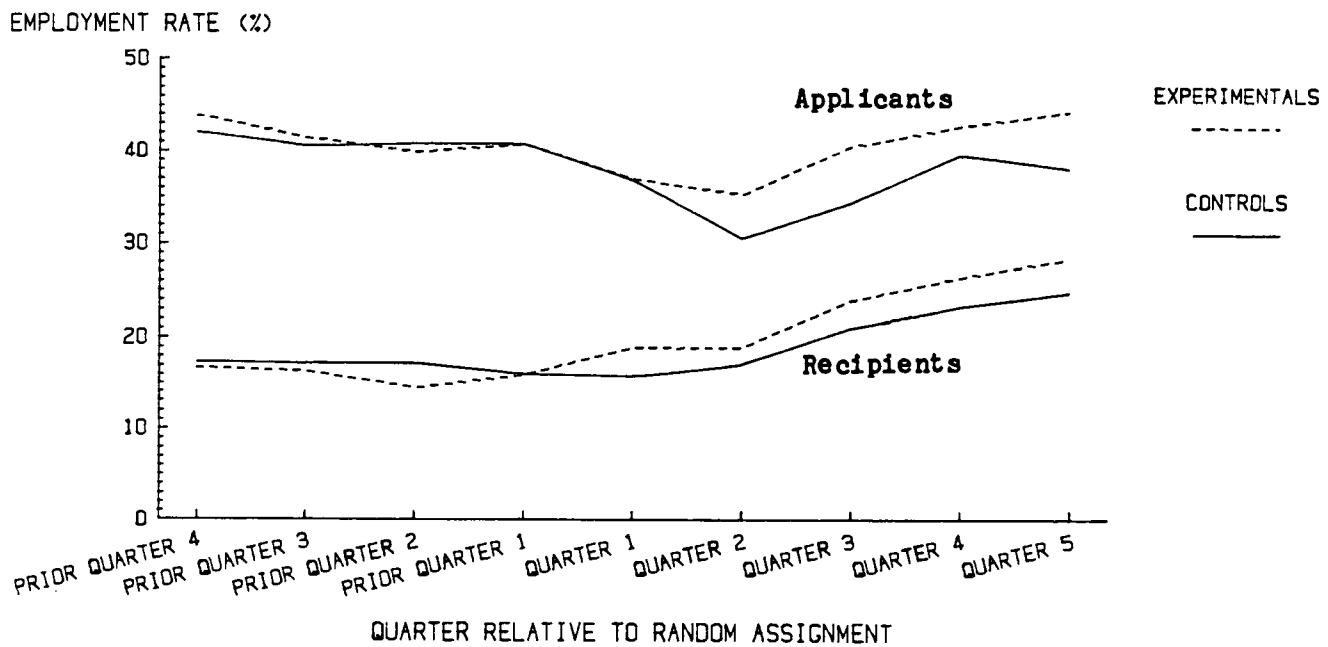
Outcome and Follow-Up Period	AFDC Applicants		
	Experimentals	Controls	Differences
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	60.2	50.8	+8.3***
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.63	1.43	+0.20**
Ever Employed (%)			
Quarter of Random Assignment	37.0	36.9	+0.1
Quarter 2	35.3	30.6	+4.7**
Quarter 3	40.8	34.5	+6.0**
Quarter 4	42.8	38.7	+3.1
Quarter 5	44.4	38.1	+6.3**
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	2664.22	2384.02	+280.21
Average Total Earnings (\$)			
Quarter of Random Assignment	384.58	374.47	-8.88
Quarter 2	448.82	476.80	-28.88
Quarter 3	859.83	573.50	+88.34
Quarter 4	793.86	681.18	+112.67*
Quarter 5	763.82	652.73	+111.18*
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	82.2	82.7	-0.5
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	9.38	8.88	-0.27
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	88.6	87.9	+0.7
Quarter 2	80.3	80.9	-0.6
Quarter 3	66.2	67.6	-1.4
Quarter 4	58.4	81.2	-2.8
Quarter 5	56.0	59.5	-3.5
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	2504.33	2520.24	-15.81
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	588.35	573.82	+15.73
Quarter 2	583.13	582.84	+10.28
Quarter 3	472.84	473.47	-0.82
Quarter 4	436.02	448.28	-10.28
Quarter 5	413.19	444.02	-30.83
Sample Size	862	702	

SOURCE AND NOTES: See Table 5.1.

FIGURE 5.3

BALTIMORE

AFDC APPLICANTS AND RECIPIENTS: PRE- AND POST-RANDOM ASSIGNMENT  
EMPLOYMENT AND AFDC RECEIPT FOR THE RESEARCH SAMPLE  
IN THE FIVE QUARTER FOLLOW-UP PERIOD



SOURCE: Table 5.6, Table 5.7, Table 0.1

For controls, the employment rate dropped sharply at the point of welfare application, suggesting that the loss of a job was the reason that many -- although not most -- applied for welfare. Employment dropped to a low of 30.6 percent in the quarter after random assignment,<sup>7</sup> and then began to rise toward its former level in the third quarter. Some controls who formerly worked but applied for welfare appeared to regain employment within a year.

Turning next to experimentals, one can see in the figure that the dip in employment at application was less pronounced. In quarter two, the employment rate for experimentals stood at 35.3 percent (compared to 30.6 percent for controls), for a statistically significant short-term program impact of 4.7 percentage points. Interestingly, this impact carried over and grew in the next quarter, even though controls began to find jobs and move up toward their former employment levels. That is, experimentals not only regained employment faster than controls (i.e., their level was not as low), but they also kept ahead of them. By the end of the follow-up, controls had not quite regained their pre-program quarterly employment level of 40 percent, whereas experimentals had exceeded that mark. The fifth-quarter employment impact amounted to a 6.3 percentage point increase, with a corresponding gain in earnings of \$111. This dollar gain constitutes a 17.0 percent increase in earnings over the control group mean of \$653 for the quarter.

This pattern suggests that job retention may have played a role in sustaining the lead of experimental over control employment. Further, the supposition that job retention was not adversely affected is supported by the finding in Table 5.4 that the total quarters with employment, as well

as the total earnings for quarters two through five, were affected to almost the same degree by the program as the "ever-employed" rate.<sup>8</sup>

Welfare impacts for AFDC applicants were smaller than employment gains, as for the AFDC sample as a whole. The 15-month approval rate was only slightly lower for experimentals (92.2 percent) than for controls (92.7 percent), suggesting that few applicants were deterred from proceeding with their welfare applications. Reductions in welfare receipt by quarter were also small and not statistically significant: the largest reduction took place in quarter five, with 56.0 percent of the experimentals receiving welfare payments compared to 59.5 percent of controls. The difference of 3.5 percentage points is not statistically significant, and is just over half that of the 6.3 percentage point maximum quarterly increase in employment. Average welfare payments for that quarter were \$413 for experimentals compared to \$444 for controls; the \$31 in savings was not statistically significant, although it is a 6.9 percent reduction in welfare expenditures per experimental.<sup>9</sup>

## 2. Short-Term Impacts on AFDC Recipients

Impact estimates for AFDC recipients are displayed in Table 5.7 and Figure 5.3. As for the applicants, the section begins with a discussion of the recent work and welfare histories of recipients. This group, like the applicants, exhibited a stable employment rate prior to welfare application, but the level was much lower: only about 16 or 17 percent were working in any quarter prior to welfare application. In the year just before, 27.8 percent had reported some earnings, less than half the rate for applicants. In addition, their welfare histories showed longer periods of assistance: three-quarters of the recipients had had their own cases for

TABLE 5.7

## BALTIMORE

AFDC RECIPIENTS: SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT,  
EARNINGS, AND AFDC RECEIPT DURING THE FIVE QUARTER POST-ENROLLMENT FOLLOW-UP PERIOD  
[NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE]

Outcome and Follow-Up Period	AFDC Recipients		
	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	42.1	37.4	+4.7*
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	0.98	0.87	+0.11*
Ever Employed (%)			
Quarter of Random Assignment	19.0	15.8	+3.3**
Quarter 2	19.0	17.2	+1.8
Quarter 3	24.0	21.1	+2.9
Quarter 4	26.5	23.4	+3.1
Quarter 5	28.5	24.9	+3.6
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	1192.47	1121.79	+70.68
Average Total Earnings (\$)			
Quarter of Random Assignment	157.48	135.10	+22.36
Quarter 2	188.08	186.70	+1.39
Quarter 3	272.17	239.90	+32.27
Quarter 4	343.28	324.68	+18.58
Quarter 5	388.93	370.50	+18.43
Ever Received Any AFDC Payment, Quarters 1 - 5 (%)	97.6	97.5	+0.1
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	12.82	12.94	-0.02
Ever Received Any AFDC Payments (%)			
Quarter of Random Assignment	96.4	96.3	+0.0
Quarter 2	94.5	94.3	+0.3
Quarter 3	88.8	89.0	-0.2
Quarter 4	85.3	85.5	-0.2
Quarter 5	81.8	81.6	+0.1
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	3822.06	3818.15	+3.81
Average AFDC Payments Received (\$)			
Quarter of Random Assignment	771.25	772.67	-1.42
Quarter 2	765.56	761.87	+3.69
Quarter 3	716.88	715.62	+1.36
Quarter 4	883.69	684.44	-0.74
Quarter 5	674.58	673.56	+1.02
Sample Size	889	670	

more than two years.

Recipients also differed from applicants in their post-random assignment control behavior. For one, there was no dip in employment for recipient controls in the first and second quarters since, unlike some applicants, none had entered the sample because of the recent loss of a job. Instead, control group employment showed a gradual increase, beginning in quarter two and continuing without let-up through the end of the follow-up period.

This improvement may be due to one or both of two factors: (a) the effect of WIN employability services; and/or (b) the lessening of child-care needs that may have been an employment barrier for mothers who still had a child too young to attend school. A youngest child turning six -- the normal age when a child starts school on a full-time basis -- was the principal reason for classifying this group of recipients as mandatory. Even more than the loss of a prior job for applicants, the fact that the youngest child had entered school was a recent event in common for many recipients.<sup>10</sup>

From quarters two through five, 42.1 percent of the AFDC recipient experimentals worked at some time, compared to 37.4 percent of controls. The 4.7 percentage point difference is statistically significant. The increase in the number of quarters with employment is also statistically significant, although the quarter-by-quarter employment gains are not. Earnings differences are positive but, again, not statistically significant.

Despite the applicant/recipient differences in family and employment backgrounds (and the differences in services described in Chapter 4), the



impact differences between the two groups, as seen in the tables, are not large. Worth noting is the somewhat lower immediate employment gain in quarter two for recipients as compared to applicants. The difference of about 3 percentage points -- a 4.7 percentage point applicant gain vs. a 1.8 point recipient gain -- is not statistically significant, but a difference of similar magnitude does persist in two of the other three follow-up quarters. At the fifth quarter, applicant experimentals had gained 6.3 percentage points in employment; recipients 3.6 points. Thus, the increases in the summary measures of "ever employed" and "number of quarters with employment" are larger for applicants, although they are statistically significant for both subgroups. Earnings impacts are also larger for applicants.

No differences in welfare outcomes were apparent between experimental and control recipients. All measures of incidence and amounts were, for practical and statistical purposes, identical for both research groups. The small savings in benefit expenditures brought about by program services were all attributable to savings for the applicant experimentals, a finding in accord with their greater increases in employment.

It is not clear how much importance should be attached to these subgroup employment impacts, particularly since the applicant/recipient differences were not statistically significant. Program operators often expect larger impacts from services delivered to the more "employable" subgroups, which in this case is applicants. But from the perspective of much prior research, the findings run contrary to expectation. In several studies of AFDC employment programs,<sup>11</sup> the largest employment gains have accrued to the subgroups with the poorest work records, for these subgroups

contain individuals who have the greatest potential to be changed by program participation.

Recipients in the Baltimore sample clearly did have a much weaker record of prior employment than applicants, and recipient controls had much lower employment levels throughout the follow-up. For example, applicant controls were employed at the rate of 38.1 percent at the end of the follow-up; recipient controls worked at only a 24.9 percent rate. The potential for improvement would thus seem better for recipients, although in this study, that improvement was not realized, at least over this follow-up period.

Three hypotheses can be advanced as possible explanations for the comparative subgroup results: (a) the mix and level of services were less effective for recipients in the short run than for applicants; (b) the removal of barriers to employment and service provision under WIN meant more for recipient controls than for applicant controls; and/or (c) the greater attachment of recipients to the AFDC system, and their greater dependence on support, inhibited employment that would have resulted in case closures.

While overall the levels of Options services were virtually identical for applicants and recipients, a point established in Chapter 4, there were significant differences in the mix of job search, work experience and training. The participation rate of the applicants in job search was at least 7 percentage points higher than that of recipients; in contrast, their participation in work experience, education and training was from 5 to 12 percentage points lower than that of recipients. It is possible that the emphasis on immediate job search for applicants created statistically

significant employment impacts for that subgroup as early as quarter two, the first admissible follow-up quarter. The effects of work experience and training -- the main activity of recipients -- would probably not be observed until at a later point, perhaps even after the end of the available follow-up.

The second hypothesis is particularly intriguing. It has already been observed that a significant barrier may have been removed for the bulk of recipients by the fact that their youngest child turned school age. This occurred at the point of their entry into the research, independent of the services of either WIN or Options. It is possible that some recipients who participated in Options were women who were going to enter the labor market anyway at this time and were capable of obtaining and holding employment without special assistance. In this connection, it is pertinent to note that, by the end of the follow-up, recipient controls had exceeded their employment rate of two years earlier (the fourth prior quarter) by nearly 8 percentage points, while applicant controls had not yet even caught up with their prior level.<sup>12</sup>

About the third hypothesis, there is little to say at this point. To investigate this issue further, the next section of this chapter looks at the effects of Options services on subgroups with different work histories.

G. Short-Term Impacts for AFDC Subgroups Determined by Pre-Program Employment History

One of the major contrasts between applicants and recipients is the difference in their prior work records. This section looks at impacts separately for individuals who had and did not have UI earnings sometime

during the year prior to their referral to Options. Earlier studies of prior-employment subgroups have found that AFDC individuals without recent work experience tend to exhibit the larger employment gains from group job search and work experience.<sup>13</sup> The post-program employment levels of this "less employable" subgroup, although usually much lower than the more "job-ready" subgroup, represent a greater change from what would have occurred in the absence of special services.

Table 5.8 displays impacts for the AFDC sample on summary and fifth-quarter employment and welfare outcomes broken down by year-prior employment. As seen at the bottom of the table, the sample was split fairly evenly into two groups: those with no year-prior employment and those with some year-prior employment. Each subdivision is of a sufficient size that a reasonably large subgroup impact could have influenced the overall program impact.

For all AFDC's, estimates of differential employment outcomes, shown in the first panel of Table 5.8, are consistent with earlier experimental research. Controls who did not work in the year before referral to Options had considerably less than half the follow-up employment and earnings of controls who had worked recently. Clearly the former subgroup was much less likely to obtain and hold work through their own efforts or those of the WIN Program.

At the same time, these individuals reaped gains from the program that were much larger than those of their more employable counterparts. The not-previously-employed subgroup went from a control group base of 25.9 percent to a rate of 34.9 percent; this was a statistically significant gain of 9.0 percentage points for the experimentals. In contrast, the

TABLE 5.8

## BALTIMORE

ALL AFDC: SELECTED SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT,  
EARNINGS, AND AFDC RECEIPT DURING THE FIVE QUARTER POST-RANDOM ASSIGNMENT  
FOLLOW-UP PERIOD, BY YEAR-PRIOR EMPLOYMENT STATUS  
[NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE]

Outcome and Follow-Up Period	Prior Employ- ment	ALL AFDC: Applicants and Recipients		
		Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	None	34.9	25.9	+9.0***
	Some	71.1	66.9	+4.2
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	None	0.75	0.55	+0.20***
	Some	1.99	1.90	+0.09
Ever Employed in Quarter 5 (%)	None	23.1	16.8	+6.3***
	Some	52.9	50.0	+2.9
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	None	946.87	608.76	+338.11**
	Some	3148.34	3177.28	-28.94
Average Total Earnings in Quarter 5 (\$)	None	340.76	219.72	+121.05**
	Some	866.00	877.05	-11.04
Average Number of Months Receiving AFDC Payments, Quarters 1 - 5	None	12.22	12.39	-0.17
	Some	9.81	9.93	-0.12
Ever Received Any AFDC Payments in Quarter 5 (%)	None	75.5	77.7	-2.2
	Some	60.5	61.6	-1.0
Average Total AFDC Payments Received, Quarters 1 - 5 (\$)	None	3432.93	3448.34	-15.41
	Some	2596.66	2589.42	+7.24
Average AFDC Payments Received in Quarter 5 (\$)	None	618.54	633.25	-14.71
	Some	449.59	464.40	-14.81
Sample Size		1331	1372	
55.2 % Have No Year-Prior Employment				
44.8 % Have Some Year-Prior Employment				

SOURCE AND NOTES: See Table 5.1

Coefficients of Control variables are constrained to equality across prior employment subgroups.

subgroup that had worked recently had a much higher baseline rate of 66.9 percent, but experimentals bettered this rate by only 4.2 percentage points for an improvement that was not statistically significant. The same pattern -- a lower baseline but larger impacts for the individuals with the weaker work history -- held true for the measures showing average number of quarters with employment and employment in the fifth quarter.

The subgroup differences in earnings are even more dramatic. Controls without pre-program employment earned only \$609 per person during the year between quarters two and five. This was less than one-fifth of the amount that controls who had worked before earned (\$3,177 on average). Yet, the total Options effect on earnings was entirely due to the gain of the subgroup that had not worked, for whom a statistically significant increase of \$338 per experimental was realized. No earnings gain at all was found for the group with prior employment experience. These findings should not obscure the fact that the most needy subgroup started from a lower level and, despite its large employment and earnings gains, still contained a majority of individuals who did not work during the follow-up period.

The gain in employment and earnings for the disadvantaged subgroup did not translate into significant savings in welfare payments. There were no significant reductions from the control levels by the experimentals in either subgroup.

#### H. Short-Term Impacts on the AFDC-U Sample

The AFDC-U's form only a small portion of the mandatory welfare caseload in Baltimore. Consequently, the Options sample contains a much smaller number of AFDC-U's than AFDC's. This means that any impacts

detected for the AFDC-U sample will have relatively little weight in the total effect of the Options Program.

More importantly from the standpoint of estimation, the sample of AFDC-U's was not large enough to yield reliable estimates of program impacts.<sup>14</sup> Those estimates, presented in Table 5.9, are discussed here primarily to highlight patterns that might help to determine the effectiveness of employability development programs for AFDC-U's. However, the reader is cautioned against using the AFDC-U impact estimates to draw any conclusions other than the limited observations given below.

Experimental-control differences in employment were negative, although none was statistically significant. In every quarter, employment rates were higher for controls than for experimentals. And although the overall "ever-employed" proportion was similar for both groups, the average number of quarters with employment was higher for controls.

Earnings for the Options group were also lower than those of controls in every quarter, and the total loss in earnings from quarters two through five was a statistically significant \$1,389 per experimental, or 26.8 percent of the control group mean of \$5,175. Quarter by quarter, a higher percentage of experimentals than controls received welfare, and welfare payments were also higher, although no differences were statistically significant. During the 15-month follow-up, controls received \$2,489 in welfare payments, on average, and experimentals \$119 more (or an additional 4.8 percent).

In the absence of any clear or statistically significant employment patterns, it would be unwarranted to conclude that Options activities kept AFDC-U's from working in the regular labor market. However, the magnitude

TABLE 5.9

## BALTIMORE

ALL AFOC-U: SHORT-TERM IMPACTS OF THE OPTIONS PROGRAM ON EMPLOYMENT, EARNINGS,  
AND AFOC RECEIPT DURING THE FIVE QUARTER POST-RANDOM ASSIGNMENT FOLLOW-UP PERIOD  
(NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Outcome and Follow-Up Period	ALL AFOC-U		
	Experimentals	Controls	Difference
Ever Employed, Quarters 2 - 5 (%) <sup>a</sup>	69.0	68.1	+0.9
Average Number of Quarters With Employment, Quarters 2 - 5 <sup>a</sup>	1.80	1.97	-0.17
Ever Employed (%)			
Quarter of Random Assignment	30.2	34.5	-4.3
Quarter 2	35.7	42.5	-6.8
Quarter 3	48.6	48.9	-2.3
Quarter 4	50.0	52.6	-2.6
Quarter 5	48.0	52.8	-4.8
Average Total Earnings, Quarters 2-5 (\$) <sup>a</sup>	3785.83	5174.84	-1388.00**
Average Total Earnings (\$)			
Quarter of Random Assignment	286.66	410.43	-123.77
Quarter 2	535.39	676.64	-141.25
Quarter 3	971.53	1372.02	-400.49**
Quarter 4	1188.00	1485.60	-296.61
Quarter 5	1080.02	1630.67	-550.66***
Ever Received Any AFOC Payment, Quarters 1 - 5 (%)	90.8	91.3	-0.5
Average Number of Months Receiving AFOC Payments, Quarters 1 - 5	7.83	7.37	+0.48
Ever Received Any AFOC Payments (%)			
Quarter of Random Assignment	87.2	88.0	-1.8
Quarter 2	70.8	88.1	+2.8
Quarter 3	52.9	48.0	+4.9
Quarter 4	48.2	41.5	+6.7
Quarter 5	42.4	38.5	+2.8
Average Total AFOC Payments Received, Quarters 1 - 5 (\$)	2807.80	2488.29	+118.51
Average AFOC Payments Received (\$)			
Quarter of Random Assignment	860.51	727.81	-67.40*
Quarter 2	618.70	601.14	+18.58
Quarter 3	486.54	431.80	+54.64
Quarter 4	434.13	384.38	+88.75
Quarter 5	408.81	363.85	+42.88
Sample Size	188	171	

SOURCE AND NOTES: See Table 5.1.



of these negative estimates does mean that employment effects on AFDC-U's would not likely be large and favorable, even if the sample size were larger.

The experience of controls reveals why short-term employment gains for AFDC-U's may be elusive. Of primary interest are the sharply rising employment rates for AFDC-U controls during the follow-up period and their even more sharply falling rates of welfare receipt. Employment began in the random assignment quarter at 34.5 percent and climbed to 52.6 percent in quarter four, when it leveled off. At the same time, welfare receipt started at 89.0 percent in the first quarter (a level similar to that of the AFDC applicants), but then dropped by more than half to 41.5 percent in quarter four. A modest decline continued into the final quarter.

Dynamic changes of this magnitude make it difficult for a broadly aimed employability development program to register improvements in the short run. There is a continual tendency for the control group to catch up with and overtake the experimental group. In addition, efforts to provide intensive remediation or skills development may lead to significant negative impacts in the short run if training activities keep AFDC-U's out of the job market for a time. The pay-off for this kind of an investment might not be evident within just a year or two.

## CHAPTER 6

### BENEFIT-COST ANALYSIS

In this chapter, the impacts of the Options Program are compared to estimates of its costs. This benefit-cost analysis, using the same analytical approach followed in MDRC's evaluations of other employment programs for welfare recipients, is designed to assess both the overall economic efficiency of Options and its distributional effects. Separate assessments are made for the AFDC and AFDC-U experimentals, as well as for the two principal subgroups, AFDC applicants and recipients.

The first section of the chapter introduces the framework for the analysis and outlines the general approach taken in valuing the various benefits and costs. The second and third sections discuss the individual benefits and costs, and present estimates of each for AFDC applicants and recipients. The fourth section aggregates the results and examines their sensitivity to the key assumptions used in the analysis. A fifth section presents the benefit-cost results for the AFDC-U group. The last section discusses the policy implications of the findings and identifies areas in which further research would be useful. An unpublished MDRC paper provides additional information about estimation procedures and data sources.<sup>1</sup>

#### A. Analytical Approach

The analysis utilizes the accounting framework summarized in Table 6.1, in which the benefits and costs of Options are valued from three different perspectives. One is the social perspective, where all benefits

TABLE 6.1

## BALTIMORE

EXPECTED EFFECTS FOR COMPONENTS OF THE BENEFIT-COST ANALYSIS  
BY ACCOUNTING PERSPECTIVE, WITH DATA SOURCES

Component of Analysis	Accounting Perspective			Data Source
	Social	Applicants and Recipients	Taxpayer	
<b>Benefits</b>				
Output Produced by Participants	+	0	+	Worksits Survey, ESARS <sup>a</sup>
Value of Work Experience Output	+	+	0	Unemployment Insurance Records, Published Data
Value of Output from Employment				
Increased Tax Payments	0	-	+	Unemployment Insurance Records, Published Data AFDC Records
Reduced Use of Transfer Programs				
Reduced AFDC Payments	0	-	+	AFDC Records
Reduced Payments from Other Programs	0	-	+	AFDC Records, Unemployment Insurance Records, Published Data
Reduced AFDC Administrative Costs	+	0	+	AFDC Records, Published Data
Reduced Administrative Costs of Other Programs	+	0	+	AFDC Records, Unemployment Insurance Records, Published Data
Reduced Use of WIN Services	+	-	+	WIN Cost Data, ESARS
Preference for Work over Welfare	+	+	+	Not measured
<b>Costs</b>				
Program Operating Costs				
Options Staff Costs	-	0	-	DMR Cost Data, ESARS
Component Costs	-	0	-	DMR Cost Data, ESARS
Allowances and Support Services	0	+	-	DMR and Maryland Department of Human Resources Cost Data, ESARS
Participant Out-of-Pocket Expenses	-	-	0	Worksits Survey, ESARS
Foregone Personnel and Family Activities	-	-	0	Not Measured

NOTES: The components are listed as benefits or costs according to whether the expected effect is a net benefit or cost from the social perspective, the perspective which sums the effects on participants and taxpayers. The effects of the components for each of the three perspectives are shown by indicating whether the expected impact is a net benefit (+), a net cost (-), or neither (0). See text for explanation of perspectives.

<sup>a</sup> ESARS refers to the Maryland Employment Service Automated Reporting System.

and costs are valued for society as a whole; the way in which they accrue to groups in society is ignored. This is the appropriate perspective for judging the program's overall economic efficiency.

The other two perspectives examine the primary distributional effects of the Options Program. The perspective of welfare applicants and recipients measures benefits and costs for members of the experimental group, appraising whether these individuals fared better or worse because of the program. The taxpayer perspective, in contrast, examines benefits and costs from the point of view of everyone in society other than the welfare applicants and recipients served by Options.<sup>2</sup> This perspective can be divided into narrower perspectives important to political decision-makers -- such as one that considers only direct effects on government budgets.

Two aspects of this framework are especially important. First, because welfare applicants and recipients in Options and taxpayers together make up everyone in society, the benefit and cost values for these two perspectives add up to the social value. Thus, transfers between the applicant/recipient group and taxpayers bring about no net change from the standpoint of society. A reduction in welfare payments is one such transfer, where the loss to applicants and recipients is matched by a corresponding gain for taxpayers, and society does not gain or lose. On the other hand, benefits or costs to one group that are not offset by costs or benefits to the other group are included in the social calculation, because they produce a change in the total resources available to society. Thus, while reduced welfare payments do not affect society as a whole, a change in the administrative cost of making these payments does: the gain to taxpayers is not offset by a loss to the applicant and recipient group.

Second, a range of different benefits and costs is included in the framework. Table 6.1 presents these components; indicates for each perspective whether a component is an expected benefit, cost or neither; and cites the data sources used in valuing each component. And, while the table lists each component under the benefit or cost heading according to its expected net impact on society, components may affect the taxpayer and the applicant/recipient group differently, as the example above has illustrated.

Several benefits and costs, however, could not be valued in this analysis. These are primarily intangible items, such as the preference of experimentals and others in society for working rather than receiving welfare and the personal and family activities that Options enrollees forego (notably taking care of their children) in order to participate in the program. In addition, some of the out-of-pocket expenses incurred by Options enrollees, as well as some of the transfer payments they received, could not be estimated.

The dollar values of the benefits and costs were estimated by first measuring the effects of the Options Program and then assigning a value to them. Program effects during the observation period -- that is, the period for which enrollment and impact data were available -- were estimated as regression-adjusted mean differences in program enrollment and outcomes between experimentals and controls.<sup>3</sup> The data used to estimate these differences include Unemployment Insurance and AFDC payment records, the worksite survey, program enrollment records and information obtained from program staff. Future effects were estimated by extrapolating observed differences using assumptions.

The program effects were valued in 1984 dollars based on published data, the worksite survey and program expenditure records. These dollar values reflect the amount of tangible resources used, saved or produced as a result of the program. Estimated future program effects were discounted to reflect 1984 dollars.

It should be noted that the benefit and cost estimates include effects on all experimental group members, both program participants and nonparticipants. This was done for two reasons. First, the Options Program can affect the employment and welfare behavior of nonparticipants as well as participants, primarily because of its mandatory participation requirement. In addition, several costs are associated with both groups, including the costs of contacting those eligible, registering and assessing them, obtaining their compliance with the program participation requirement, and sanctioning those who do not comply, as well as the program reporting and administration costs expended for these activities.

The data used to estimate the benefits and costs were collected during the period from November 1982 -- when random assignment began -- through December 1984. Benefits and costs that accrued after December 1984 were estimated on the basis of these data and a series of assumptions. The length of the observation period for research sample members varied, ranging from 12 to 25 months depending on the point at which an applicant or recipient was randomly assigned. The average post-program observation period was much shorter although it is difficult to say precisely what it was because experimentals were eligible for Options services throughout their stay on the rolls. Moreover, even after they had completed their primary program participation, many individuals continued to receive

limited services, such as individual job search or occasional counseling assistance.

Figure 6.1 shows that the average length of observation was 23 months for an enrollee who entered the Options Program during the period from November 1982 through March 1983. However, as the figure shows, the typical enrollee did not enter his or her first program activity until several months after random assignment, and many more months could elapse before the enrollee completed this and other activities or was deregistered. Options enrollment was especially lengthy for those who participated in work experience and education or skills training. Thus, although data restrictions create uncertainty, the estimated amount of post-eligibility follow-up was limited, averaging from five to nine months for the November through March group, depending on the program component(s) entered.

The follow-up on the April through December 1983 group was even shorter, averaging 16 months, of which one to four months could be considered the post-eligibility follow-up. Indeed, over 5 percent of this group was still actively involved in classroom training or work experience as of December 1984, and an even larger proportion was either assigned to individual job search or was still eligible to receive program services.<sup>4</sup> Thus, no post-program information is available for a substantial number of Options participants.

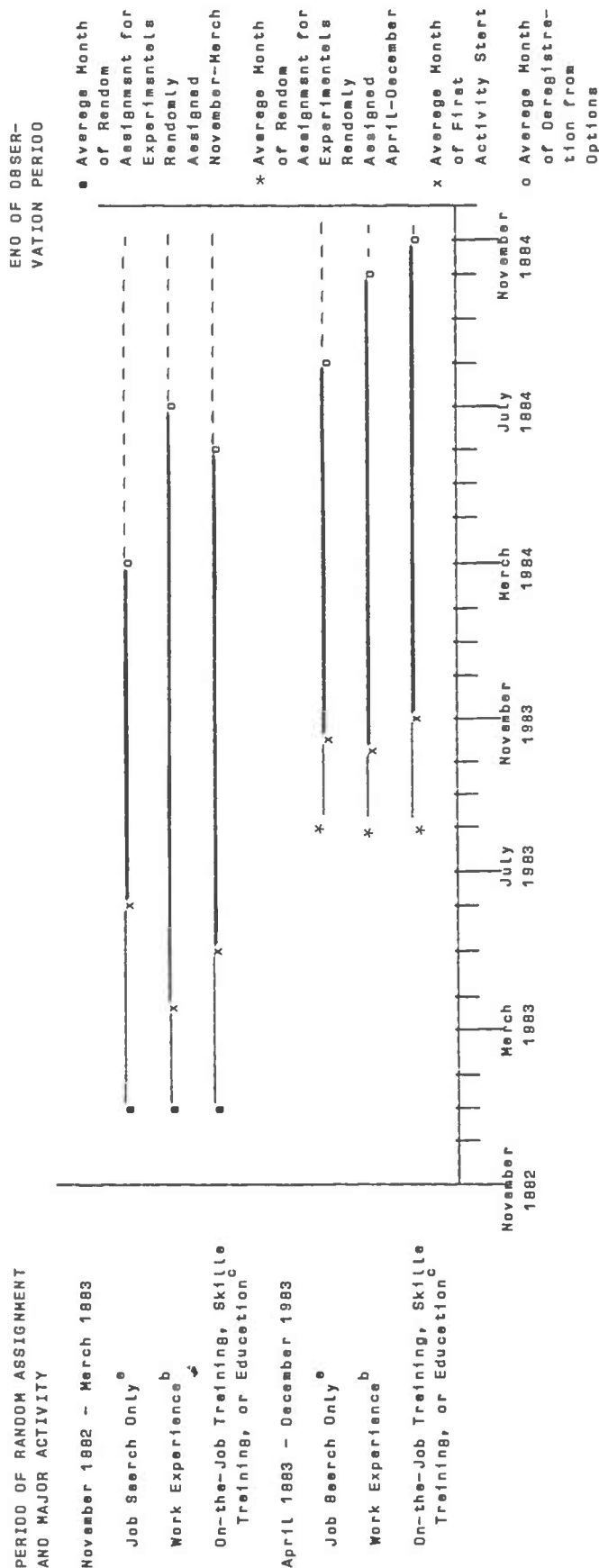
#### B. Benefits

The tangible benefits of the Options Program considered in this analysis include increased output, increased tax payments, reduced depen-

FIGURE 8.1

BALTIMORE

AVERAGE LENGTH OF TIME UNTIL FIRST ACTIVITY  
AND PROGRAM DEREGISTRATION FOR OPTIONS PARTICIPANTS, BY PERIOD  
OF RANDOM ASSIGNMENT AND MAJOR ACTIVITY



SOURCE: MOCR calculations from the Maryland Employment Service Automated Reporting System and MOCR cost data.

NOTES: Unbroken Lines indicate average time from random assignment to start of first activity. Solid lines indicate average additional time until deregistration from Options, including inactive time and time in active components. Broken lines indicate length of post-eligibility observation.

<sup>a</sup> The "Job Search Only" group includes participants in Group Workshop or Individual Job Search, but not Work Experience, Education, or Training.

<sup>b</sup> The "Work Experience" group includes participants in Work Experience, or Work Experience and Group Workshop or Individual Job Search, but not Education or Training.

<sup>c</sup> The "On-the-Job Training, Skills Training, or Education" group includes all participants in Training or Education, including those who also participated in Work Experience, Group Workshop, or Individual Job Search.



dence on transfer programs, and reduced use of regular WIN Program services. The estimates of these benefits are discussed below.

1. Increased Output

One expected benefit of the Options Program was the increased production of goods and services resulting from both subsidized and unsubsidized work. First, participants who were assigned to work experience and on-the-job training (OJT) positions provided Baltimore agencies and organizations with labor services while obtaining job experience. Second, to the extent that Options succeeded in increasing employment in regular labor market jobs, a corresponding increase in output occurred. Because the benefits associated with these two types of output are estimated using different techniques and data sources, they are addressed separately in this analysis.

Approximately one-fifth of the Options enrollees were assigned to work experience positions in nonprofit organizations and public agencies. Some of these positions were full-time, and others were only three days per week. (For example, Jobs Plus I participants spent two days a week in job search and three in work experience.) The work assignments lasted for three to six months, or until a person was terminated. For each day worked, the participants were paid a stipend (see the "Stipends and Support Service Costs" section below). As indicated by the findings of the worksite survey, the services they provided were valuable to the day-to-day operations of the community organizations. Thus, because they benefited the general community, the services are treated as a benefit to both taxpayers and society as a whole in this analysis.

In addition, a small number of Options enrollees were assigned to OJT

positions with private firms, in which the work was generally full-time. Participants were paid a wage instead of an allowance, and because employers paid half of these wages, the net value of the services they received was the value in excess of these payments.

The value of the output produced by work experience and OJT participants was estimated as the supply price of the labor services provided, or the cost to a community agency of obtaining alternative labor to supply the same services. The supply price was estimated in two steps. First, the program effect to be valued -- in this case, the average days of active participation in work experience -- was calculated, using ESARS data to determine the average length of enrollment in the component.<sup>5</sup> However, because this enrollment period included inactive as well as active time (most notably the time after active participation had ended, but before ESARS had recorded a change in status), average enrollment time was converted to average work days (i.e., active participation days, excluding weekends), using data on stipends paid to participants in work experience.<sup>6</sup> The result was an estimated average for the AFDC group as a whole of 13 work days; for AFDC applicants and recipients, respectively, the average was nine and 18 days.

Next, these estimates were multiplied by the estimated labor supply price per work day. To arrive at this estimate, the average relative productivity of work experience participants was compared to that of regular workers using data gathered from agency supervisors interviewed in the worksite survey. For the AFDC group, participants on average were found to be 100 percent as productive as regular entry-level workers in the organizations to which they were assigned. Thus, the average number of

hours participants worked per day provided an estimate of the time it would take regular workers to perform the same service.<sup>7</sup> This estimate, in turn, was multiplied by the average hourly compensation of the regular workers -- an hourly wage of \$4.42 plus fringe benefits, a figure also derived from the worksite survey data. This yielded the supply price estimate, which then was multiplied by the estimate of the average days worked by participants to obtain the estimated value of output. For OJT participants, employer contributions to participant wage payments were subtracted from the supply price estimate to determine the net value.

The resulting estimate of the value of the output provided by the AFDC experimental group -- including those who did not participate in work experience as well as those who did -- was \$316 per experimental. When the group as a whole was divided into applicants and recipients, the value of output for AFDC applicants was \$202; the value for recipients \$436. This difference reflects the fact that recipients were more likely than applicants to be assigned to work experience and, once assigned, were more likely, on average, to remain in the component longer.

Net output also increased because AFDC experimentals on average worked more in regular labor market jobs than did controls. Experimental-control differences in the earnings from these jobs are the basis for valuing this increase. As seen in Table 6.2, the earnings differences reflect all available follow-up data on experimentals and controls from the point of random assignment through December 1984, not the five- or eight-quarter periods used to present earnings impacts in Chapter 5. The estimated difference for the AFDC group as a whole was \$417 per experimental. Most of this gain was experienced by the AFDC applicants, who earned \$563 more than their

TABLE 6.2

## BALTIMORE

ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN EARNINGS, FRINGE BENEFITS,  
AND TAXES PER AFDC EXPERIMENTAL THROUGH DECEMBER 1984, BY WELFARE STATUS

Component of Analysis	Applicants	Recipients	Total
Earnings	\$563	\$196	\$417
Fringe Benefits	101	35	75
Taxes			
Federal Income Tax	64	-6	35
State Income Tax	24	-2	13
Social Security Tax	39	14	29
State Sales and Excise Taxes	5	2	4
Total Taxes	132	7	81

SOURCE: MDRC calculations from Unemployment Insurance records and from published data on tax rates and employee fringe benefits.

NOTES: The results are based on a sample of 1484 AFDC experimentals and 1488 AFDC controls. However, the sample sizes for applicants and recipients are together smaller than the sample size for all AFDC experimentals due to missing information on welfare status. The differences are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Because of rounding, detail may not sum to totals.

counterparts in the control group. The difference in earnings for recipients was a more modest \$196 per experimental.

Under the assumption that labor and product markets are competitive, a worker's compensation equals the value of his marginal contribution to output.<sup>8</sup> Thus, the increases in output attributable to Options can be estimated as experimental-control differences in earnings plus non-wage compensation. Using national data on fringe benefits provided in low-wage jobs,<sup>9</sup> the value of the non-wage compensation received by members of the research sample was estimated as 18 percent of observed earnings. This produced the estimates of fringe benefits shown in Table 6.2.

The value of output from both work experience and OJT assignments, as well as regular jobs, was a benefit to society. In the case of work experience and OJT, the benefit accrued to taxpayers, and because there was no offsetting cost to the experimental group,<sup>10</sup> there was also a net social benefit. However, because employers did not demonstrate a willingness to pay for this output -- in OJT, employers did not have to pay full wages -- the estimated supply price of the output does not necessarily reflect demand for it. On the other hand, the worksite survey does provide evidence that organizations considered the work necessary and important.<sup>11</sup>

In the case of the regular jobs, taxpayers benefited from the net increase in output, but because they also paid for it, the net benefit to them was zero. Welfare applicants and recipients, on the other hand, enjoyed an increase in earnings and fringe benefits, and this was a benefit to them and to society. The principal source of uncertainty about this benefit -- and, to a lesser extent, about the work experience output -- is potential displacement. To the extent that increased employment leads to

displacement -- that is, if experimentals take the place of other workers who subsequently become unemployed -- the net social value is lower because society has given up the output that would have been produced by the displaced workers.<sup>12</sup>

## 2. Increased Tax Payments

As the income of the experimental group rises, so do the taxes the group pays. Therefore, experimental-control differences have been estimated for several types of taxes: federal and state income taxes, Social Security payroll taxes, and state sales and excise taxes. For income taxes, payments were imputed based on experimental-control differences in earnings over an annualized threshold of \$7,300, taking into account pertinent federal and state tax rates, credits and exemptions. Social Security taxes were calculated as a function of total earnings, using the tax rates in effect at the time of the demonstration. Sales and excise taxes were estimated on the basis of total income -- earnings plus AFDC and UI payments -- as well as relevant tax rates and average consumption patterns.<sup>13</sup>

As seen in Table 6.2, the total increase in the taxes paid by the AFDC group was \$81 per experimental. Virtually all of this increase was borne by the AFDC applicants, who lost one-fifth of their earnings gain to taxes. This was primarily due to the relatively large increase in applicants' earnings above the \$7,300 threshold, an increase that was subject to income taxes.

## 3. Reduced Dependence on Transfers

Increased experimental group employment also led to reduced dependence on transfer programs. Reductions occurred during the observation period in

all four types of transfer payments considered in this analysis: AFDC, Unemployment Insurance Compensation, Medicaid and Food Stamps. Experimental-control differences in AFDC payments were calculated using AFDC payments data for the entire observation period; the result was a modest overall difference per experimental of \$29, as indicated in Table 6.3. The difference was \$61 for applicants and \$20 for recipients. The reductions in UI payments, computed using UI records, were also modest.

Because neither Medicaid nor Food Stamps data were available, experimental-control differences for these transfers were imputed using other data. Medicaid regulations in force at the time of the demonstration specified that individuals who were off the AFDC rolls for more than four months were not eligible for Medicaid until and unless they began receiving AFDC again. This was the basis for estimating the differences in Medicaid participation,<sup>14</sup> with experimental-control differences valued using the average monthly payments made on behalf of Medicaid participants who were public assistance recipients in Baltimore County during fiscal year 1984.<sup>15</sup> The resulting estimates of the Medicaid reductions were small for the group as a whole and both AFDC applicants and recipients.

Estimates for Food Stamps were made using several data sources. The estimation process imputed experimental-control differences in the value of Food Stamps for which a household was eligible by taking into account income (earnings, AFDC and UI payments), the earnings disregard (18 percent of earnings), and the medical and child-care deductions allowed in the AFDC program.<sup>16</sup> The estimates generated by this procedure indicate that the Food Stamps reductions were the most important of the transfer changes. As shown in Table 6.3, the reduction for the AFDC group was \$92 during the

TABLE 6.3

## BALTIMORE

ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN TRANSFER PAYMENTS  
AND ADMINISTRATIVE COSTS PER AFDC EXPERIMENTAL  
THROUGH DECEMBER 1984, BY WELFARE STATUS

Type of Payment or Cost	Applicants	Recipients	Total
<b>Transfer Payments</b>			
AFDC <sup>a</sup>	\$-61	\$-20	\$-29
Unemployment Compensation	-25	-16	-15
Medicaid	-20	-3	-4
Food Stamps	-127	-77	-92
<b>Total Transfer Payments</b>	<b>-233</b>	<b>-116</b>	<b>-140</b>
<b>Administrative Costs</b>			
AFDC <sup>a</sup>	-7	-2	-3
Unemployment Compensation	-2	-1	-1
Medicaid	-1	b	b
Food Stamps	-14	-8	-10
<b>Total Administrative Costs</b>	<b>-24</b>	<b>-11</b>	<b>-14</b>

SOURCE: MORC calculations from AFDC and Unemployment Insurance payments records and from published data on Medicaid costs and welfare administrative costs.

NOTES: The results are based on a sample of 1464 AFDC experimental and 1488 AFDC controls. However, the sample sizes for applicants and recipients are together smaller than the sample size for all experimental due to missing information on welfare status. The differences are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Because of rounding, detail may not sum to totals.

<sup>a</sup> Includes AFDC and AFDC supplemental payments, which are one time only emergency payments for needs such as shelter, clothing, and transportation.

<sup>b</sup> Estimated value less than \$0.50.



observation period, with the change for the applicants, at \$-127, particularly large. The reason is the relatively large earnings increase of this group and their relatively small welfare payment and UI reductions. These together imply that there will be a reasonably large reduction in the Food Stamps they are eligible to receive.

The estimated overall loss in transfer payments to AFDC experimentals during the observation period was \$140, or approximately one-third of their earnings gain. The loss to AFDC applicants, at \$233, was twice the size of the reduction for recipients. Because these losses to members of the experimental group were offset by corresponding gains to taxpayers, there was no net benefit or cost to society as a whole.

The reduction in the use of transfer programs also freed administrative resources, which benefited both taxpayers and society. Savings in administrative costs for the four transfer programs were estimated by multiplying the experimental-control differences in transfer payments by the average administrative cost per dollar of transfer, estimated from expenditure data obtained from the State of Maryland and from federal government publications.<sup>17</sup> The resulting administrative cost savings estimates are given in Table 6.3. All of the savings were relatively small and mirror the transfer payment reductions.

#### 4. Reduced Use of WIN Services

Members of the control group received regular WIN services during the period covered by this study. The costs of these services need to be considered just as Options costs are in a following section. The benefits of the WIN services have already been taken into account inasmuch as program impacts have been estimated as experimental-control differences.

The costs of serving controls are treated as a "WIN cost savings" benefit of Options rather than as an offset to program costs in order to keep Options and WIN expenditures separate. These have been estimated by multiplying the average length of controls' WIN enrollment by the average operating cost of WIN per enrollment day, including the cost of WIN staff, facilities and training positions. Cost savings in support services were calculated by multiplying average enrollment by the average cost of WIN allowances and child care per enrollment day.<sup>18</sup> The result was a savings of \$111 in operating costs and \$7 in support services per experimental.

#### 5. Future Benefits

The benefits in the preceding sections were estimated for the observation period from November 1982 through December 1984, but the analysis also addresses the potential future benefits that occur after this period. To do so, assumptions were made about the magnitude of future program impacts and their values. Four elements required specific assumptions in the extrapolation procedures: the base estimate, time horizon, decay rate and the discount rate.<sup>19</sup>

First, the base estimate selected for extrapolation was the experimental-control impact difference (for example, the difference in earnings) for the last two quarters of the observation period -- July through December 1984. As the most recent evidence, it was judged the most appropriate for this purpose.

Second, the time horizon over which the benefits were extrapolated was set at five years from the point of random assignment. This is approximately the average length of time families remain on AFDC.<sup>20</sup> The selection of this uniform horizon meant that benefits had to be extrapolated into the

future for different lengths of time, depending on a person's date of random assignment. For example, for someone enrolling between November 1982 and March 1983, the observation period was approximately eight quarters, and hence benefits had to be extrapolated for three years. For those enrolling between April and December 1983, only five quarters could be observed, leaving three and 3/4 years to be covered by extrapolation.

Third, the decay rate is the rate at which the base estimate is assumed to change over time. This was particularly difficult to select for this analysis because of the relatively short post-program observation.<sup>21</sup> Because of the uncertainty, three alternative assumptions were used. One assumption -- that there is no decay -- yields high estimates of the net present value of the Options Program. Another assumption -- that there are no future benefits, which is the same as assuming that the decay is infinitely high -- is an extreme assumption that leads to clearly lower-bound estimates of net present value. Between these two values is a two-part "middle" assumption. It assumed, first, that the experience of those who enrolled in the program from April through December 1983 in quarters six through eight was the same as that of the November 1982 through March 1983 enrollees.<sup>22</sup> Second, based on previous research, it assumed that the benefits for applicants decayed at an annual rate of 22 percent beginning in quarter nine; for recipients (whose impacts showed no evidence of decay over the observation period), this rate of decay was applied in the tenth quarter.<sup>23</sup>

Finally, the discount rate was used to adjust future benefits to their fiscal year 1984 dollar values. This reflects the value of foregone investment during the post-observation years. A real discount rate -- that

is, a rate adjusted for inflation -- of 5 percent per year was used for this purpose.<sup>24</sup>

As indicated in Table 6.4, the alternative assumptions on the decay rate were particularly important for the estimates of various program benefits. For example, extrapolation roughly doubled the size of the benefit when the middle estimate was added to the observed estimate; the benefit almost tripled when the upper-bound assumption was used. In contrast, the lower-bound assumption of no extrapolated benefits has the effect of limiting the analysis to only short-term program effects -- that is, those occurring only within the observation period.

### C. Costs

The costs of the Options Program on a per experimental basis were estimated in three steps. In the first step, all the costs of the program were identified. In the second step, the unit costs of the various Options services were estimated based on all available cost and enrollment data. Finally, the unit costs were assigned to different groups of experimentals, depending on which program services they received.

#### 1. Total Program Costs

Options costs were charged against a number of different program accounts, all of which were taken into account in this analysis. The following accounts were identified:

- The OMR contract for Options, funded by Baltimore City WIN Titles IVA and IVC and by the Training and Employment Office of the State Department of Human Resources, which covered most Options staff and virtually all non-personnel expenditures;
- Other OMR program accounts, to which the costs for several Options staff members,<sup>25</sup> as well as all training fees were

TABLE 6.4

## BALTIMORE

## ESTIMATED OBSERVED AND EXTRAPOLATED BENEFITS PER AFDC EXPERIMENTAL

Benefit Variable	Observed Benefits <sup>a</sup>	Extrapolated Benefits <sup>b</sup>		
		Lower Estimate	Middle Estimate	Upper Estimate
In-Program Output <sup>c</sup>	\$316	\$0	\$40	\$40
Earnings And Fringe Benefits	491	0	439	781
Tax Payments	81	0	166	262
Transfer Payments	140	0	185	305
Transfer Program Administration	14	0	20	32
Reduced Use of WIN	119	0	22	22

SOURCE: MDRC calculations from worksite survey; Unemployment Insurance earnings and payments records; AFDC payments records; published data on Medicaid costs, welfare administrative costs, tax rates and employee fringe benefits; the Maryland Employment Service Automated Reporting System; and WIN cost data.

NOTES: Results are expressed in fiscal year 1984 dollars and therefore will not precisely match observed results presented in Tables 6.2 and 6.3. The total sample includes 1460 AFDC experimentals and 1488 AFDC controls. Because of rounding, detail may not sum to totals.

<sup>a</sup>Based on available follow-up data.

<sup>b</sup>Extrapolated benefits are estimated from the end of the observation period to five years from the point of random assignment. Lower estimates assume no program impacts beyond observation period. Middle estimates assume impacts decline at an annual rate of 22 percent during extrapolation period. Upper estimates assume no decay of program impacts during extrapolation period.

<sup>c</sup>Includes value of output during Work Experience and On-The-Job Training components.

charged;

- OIC program accounts other than its subcontract to OMR (which was charged to OMR's Options contract), which paid for certain staff costs not covered until the subcontract; and
- Title XX, to which part of the child-care costs were charged.

Expenditure data for these accounts, collected for the period from October 1982 through December 1983, provide the basis for the cost estimates made in this analysis. Based on these data, the total overall estimated cost of Options during the five-quarter period was \$1.3 million.

## 2. Unit Costs

Unit cost estimates were calculated for eight different Options service functions: compliance, intake/assessment/orientation, job placement, training, the group workshop, worksite development, stipends, and support services. These functions are discussed in turn.

The "compliance" function covered several different activities: discussing program participation requirements with enrollees, contacting those who failed to meet these requirements, and initiating and carrying out sanctioning procedures. These functions were performed entirely by Options staff. The cost of these activities was estimated as a share of the total Options staff and non-personnel costs during the five-quarter data collection period.

This share was determined on the basis of a time study conducted in both September and December 1983.<sup>26</sup> Staff recorded the time they devoted to these compliance activities as well as the time they spent on other Options activities, personal leave and duties associated with other programs. The total cost of compliance was then divided by the total number of experimentals randomly assigned through December 1983, which

yielded the unit cost of \$23 per experimental. This was considered a fixed cost for all experimentals because compliance activities potentially affect everyone in the experimental group, regardless of whether or how long they participate in Options.

The cost of intake, assessment and orientation -- tasks also conducted by Options staff -- was estimated using the same time study data. It was treated as a fixed cost of registering for the program because most of the activities included in the cost occurred at the point of registration or shortly thereafter. Thus, the unit cost is the total estimated cost of the function through December 1983 divided by the total number of Options enrollees -- determined using ESARS data -- registered by that time. That estimate is \$83 per Options registrant.

The job placement function refers to placement assistance provided by Options to individuals at any point during their enrollment. As with the first two functions, the cost of job placement was calculated using the time study. Unlike the other functions, however, placement was treated as a variable cost because assistance was provided on a more or less ongoing basis. The unit cost of \$.59 per enrollment day was computed by dividing the estimated placement cost through December 1983 by the total number of days individuals were enrolled in Options through that time. The estimated number of active days -- again calculated using ESARS data -- included all activity days between registration and termination, regardless of the component assigned, because all Options participants were entitled to receive this assistance.

The training category included a variety of education and vocational training programs. Harbor City Learning Center provided most of the

educational training, primarily remedial education courses, but numerous organizations in the Baltimore area offered skills training. OMR paid the fees and related costs. The weighted average cost of both types of training was \$2,360 per experimental assigned to such training, as calculated using data supplied by OMR.<sup>27</sup> This was approached as a single fixed cost because (1) the average length of time spent in training could not be estimated accurately with ESARS data;<sup>28</sup> (2) the training cost data were difficult to disaggregate; and (3) Options staff reported that most people who started training completed it.

The group workshop function includes all group assistance provided to Options enrollees in job hunting techniques and the development of appropriate work attitudes and practices. Thus, it covered world of work and the job search component of Jobs Plus I as well as group job search. The cost of the workshop function through December 1983 was estimated using the results of the time study, and the unit cost was obtained by dividing this cost by the total days Options enrollees spent in a workshop through the same December cutoff. The resulting unit cost of \$12 per day was treated as a variable cost for two reasons: enrollment time could be estimated more accurately in this case than for training,<sup>29</sup> and the amount of time an enrollee spent in a workshop ranged from one week (in World of Work before August 1983) to six months (in Jobs Plus I).

Worksite development, which was necessary for both work experience (including Jobs Plus I) and OJT, covered all staff time devoted to the development and monitoring of worksites. The cost of this function for work experience assignments was estimated on the basis of the time study. This cost was then divided by the number of enrollees assigned to the component



before December 1983, calculated using ESARS data, which resulted in a \$262 unit cost. Worksite development was treated as a fixed cost primarily because most of the staff time devoted to this function was related to worksite development, a required task no matter how long an individual stayed in work experience. OJT worksite development was conducted separately by non-Options OMR staff, but it was assumed that the unit cost was the same.

Payments were made to Options enrollees who participated in group job search, work experience and classroom training -- in most cases, a weekly stipend of \$30. (During the early months of program operations, \$60 was paid to group job search participants when they found jobs, but this practice was discontinued. Participants in OJT positions were another exception; their wages were paid half by the employer and half by the program.) Because stipends differed based on the length of enrollment, they have been treated as a variable cost. The estimated unit cost is \$3.34 per enrollment day in a group workshop (enrollment days include time for which no stipends were paid, such as weekends and days a person did not show up), \$3.92 per day enrolled in work experience, and \$3.88 per day in training. The cost to the Options Program of OJT wages was \$9.46 per enrollment day.

Finally, costs were incurred for the two types of support services. The first was child care, paid for partly by the Options contract and partly by Title XX (of the Social Security Act) funds. The second covered reimbursements for transportation, which was paid entirely by Options. The cost of child care per enrollment day was \$.56 in group job search, \$.63 in work experience and OJT, and \$.56 in training. The transportation cost was

\$.29 per day for group job search, \$.20 per day for training, \$.13 for work experience, and \$.06 per day for individual job search.

### 3. Cost of Serving Enrollees

With these unit costs, the costs of serving an individual or specific groups of individuals can be estimated based on their program experiences. The elements needed to make such estimates are summarized in Table 6.5. The left-hand column lists the different program statuses, and the two on the right depict the cost implications of each status. The middle column indicates the fixed unit costs; for example, there was a fixed cost of \$83 for intake, assessment and orientation of all persons who registered. The right-hand column lists the variable costs -- such as group workshop costs -- that depended on the length of time a person remained in the component.

In addition, the Options Program incurred administrative and indirect costs that have to be taken into account. This category includes paperwork not associated with the other program functions, supervision of the staff who perform the functions, and general administration (executive, fiscal, communications, planning and similar activities). After the total cost of these activities was determined, an adjustment was made to subtract that part of the cost related to MDRC's research.<sup>30</sup> A pro-rated share of the rest of the administrative cost was then allocated to all program functions involving Options staff -- that is, all functions except education and skills training, stipends and support services. The amount of this share was 42.4 percent of the unit costs estimated above.

The estimated costs of serving AFDC experimentals through December 1984 are presented in Table 6.6. The costs are the product of the unit costs listed in Table 6.5 and the average units for each group -- that is,

TABLE 6.5

## BALTIMORE

## COST ELEMENTS OF OPTIONS, BY PROGRAM STATUS

Program Status	Fixed Costs <sup>a</sup>	Variable Costs <sup>a</sup>
Experimental	Compliance Administration <sup>b</sup>	
Registration	Intake/Assessment/ Orientation Administration <sup>b</sup>	Job placement Administration <sup>b</sup>
Training <sup>c</sup>	Training	Stipends Support services
Group Workshop <sup>d</sup>		Group workshop <sup>b</sup> Administration <sup>b</sup> Stipends Support services
Individual Job Search		Support services
Work Experience	Worksite development Administration <sup>b</sup>	Stipends Support services
OJT	Worksite development Administration <sup>b</sup>	OJT payments

NOTES: <sup>a</sup> Fixed costs are determined by an individual's entry into a program status, while variable costs are determined by the length of time the individual remains in that status.

<sup>b</sup> A pro-rated share of administrative costs was allocated to each functional category of direct operating costs (e.g., intake).

<sup>c</sup> Includes Remedial Education and Skills Training components.

<sup>d</sup> Includes Group Job Search and World of Work components, as well as group job search days included in Jobs Plus I.

TABLE 6.6

## BALTIMORE

ESTIMATED OPTIONS PROGRAM COSTS PER AFDC EXPERIMENTAL  
THROUGH DECEMBER 1984, BY WELFARE STATUS

Cost Variable	Applicants	Recipients	Total
Options Operating Costs			
Compliance Activities	\$33	\$33	\$33
Intake/Assessment	100	104	102
Job Placement Activities	48	63	55
Group Workshop <sup>a</sup>	179	211	196
Work Experience	49	90	70
Training	255	333	297
On-the-Job Training	4	6	5
Stipends	128	194	181
Child Care	22	34	28
Transportation	9	12	10
Total Options Operating Costs	\$828	\$1080	\$857

SOURCE: MORC time study of OMR and OIC staff time spent on Options; MORC calculations from the Maryland Employment Service Automated Reporting System and from OMR and Maryland Department of Human Resources cost data.

NOTE: The results are based on a sample of 1484 AFDC experimentals. However, the sample sizes for applicants and recipients are together smaller than the sample size for all experimentals due to missing information on welfare status. Estimates are average total costs incurred for experimentals only, as no controls participated in Options. Because of rounding, detail may not sum to totals.

<sup>a</sup> Group Workshop includes Group Job Search and World of Work components, as well as group job search days included in Job Plus I.

the average number of assignments to an activity (for the fixed cost) or the average length of enrollment (for the variable cost) per experimental. The overall cost per AFDC experimental was \$957. Training and group workshop costs accounted for much of this total. The cost per recipient at \$1,080 was higher than the cost per applicant (\$828), principally because recipients were assigned more often to training and work experience.

Costs incurred after December 1984 were estimated in a manner paralleling the extrapolation procedure used to estimate future benefits. Again, three estimates were needed. First, the lower estimate of future costs was zero -- that is, it was assumed that no program costs were incurred for the research sample after December 1984. Second, for the middle estimate, it was assumed that (1) all the costs associated with experimentals enrolling between November 1982 and March 1983 were incurred during the observation period, and (2) that the costs incurred after December 1984 by those enrolling between April and December 1983 mirrored the experience of the early enrollees during the last six months of the observation period.<sup>31</sup> The upper estimate of future costs stayed the same as the middle estimate.

Taxpayers bore the entire cost of the Options Program. However, the costs of stipends, child care and transportation -- almost \$200 per experimental -- were direct benefits to applicants and recipients, and thus constitute transfers that do not figure in the net present value from the social perspective. These payments to experimentals were partly offset by the out-of-pocket expenses they incurred. However, only the out-of-pocket expenses for work experience participants -- which were estimated using the worksite survey -- are included in this analysis.

#### D. Overall Results

The results for each of the benefit and cost components discussed in this chapter -- all discounted to reflect fiscal year 1984 dollars -- are presented in Table 6.7. The various components have been summed together to estimate the net present value of the Options Program, which is the estimated difference between the present value of total program benefits and total program costs. Upper, middle and lower estimates of all components and of net present value are indicated in the table. These correspond to the alternative extrapolation assumptions discussed in earlier sections of this chapter.

The results shown in Table 6.7 are notable in that the Options Program's short-term benefits for the AFDC group exceeded its costs from the perspective of society as a whole, regardless of the assumptions made about future benefits. The social net present value of \$159 without any future benefits is considerably higher if extrapolated benefits (with or without decay) are taken into account.

However, the overall magnitude of social net present value depends on which assumption is used for future benefits, and they are subject to considerable uncertainty. Figure 6.2 depicts the net present value of Options over time. The bold line shows its path during the observation period. The net value was negative during the first year since most of the program costs were incurred during this time, but there were sufficient benefits in the last two quarters of the observation period to raise the value above zero. (The vertical line indicates the point at which the estimated social net present value becomes positive.) What happens after the observation period depends on the assumptions used about future

TABLE 6.7

## BALTIMORE

## ESTIMATED BENEFITS AND COSTS PER AFDC EXPERIMENTAL BY ACCOUNTING PERSPECTIVE

Component of Analysis	Lower Estimate <sup>a</sup>			Middle Estimate <sup>b</sup>			Upper Estimate <sup>c</sup>		
	Accounting			Perspective			Perspective		
Benefit	Social	Applicant/ Recipient	Tax- payer	Social	Applicant/ Recipient	Tax- payer	Social	Applicant/ Recipient	Tax- payer
Output Produced by Participants									
Value of Work Experience Output	\$316	\$0	\$318	\$356	\$0	\$356	\$356	\$0	\$356
Increased Output from Employment	491	491	0	930	930	0	1272	1272	0
Increased Tax Payments	0	-81	81	0	-247	247	0	-343	343
Reduced Use of Transfer Programs									
Reduced AFDC Payments	0	-29	29	0	-100	100	0	-148	148
Reduced Payments from Other Programs	0	-111	111	0	-225	225	0	-297	297
Reduced AFDC Administrative Costs	3	0	3	11	0	11	18	0	16
Reduced Administrative Costs of Other Programs	11	0	11	23	0	23	30	0	30
Reduced Use of WIN Services									
WIN Operating Costs	111	0	111	132	0	132	132	0	132
WIN Support Services	0	-7	7	0	-9	9	0	-9	9
Total Benefit	\$932	\$263	\$669	\$1452	\$349	\$1103	\$1808	\$475	\$1331
Costs									
Program Operating Costs	-752	0	-752	-816	0	-818	-816	0	-816
Allowances and Support Services	0	197	-197	0	222	-222	0	222	-222
Participant Out-of-Pocket Expenses	-21	-21	0	-24	-24	0	-24	-24	0
Total Costs	-773	\$178	-\$849	-\$840	\$198	-\$1038	-\$840	\$198	-\$1038
Net Present Value (Benefit Minus Costs)	\$159	\$439	-\$280	\$612	\$547	\$65	\$968	\$673	\$293

SOURCE: MRC time study of OMR and OIC staff time spent on Options; MRC calculations from Unemployment Insurance records; AFDC payments records; workite survey; the Maryland Employment Service Automated Reporting System; WIN, OMR, and Maryland Department of Human Resource cost data; published data on welfare costs, tax rates, and employee fringe benefits. See text for descriptions of these sources.

(continued)

TABLE 6.7 (continued)

NOTES: Components are listed as benefits or costs according to a priori expectations regarding their value from the social perspective. However, the results presented reflect actual outcomes, not expectations. All estimated outcomes are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Positive amounts indicate a benefit; negative amounts indicate a cost. All benefits and costs are estimated for a five-year time horizon beginning at the point of random assignment, and are expressed in fiscal year 1984 dollars. Because of rounding, detail may not sum to totals.

<sup>a</sup> Lower estimates represent only observed program impacts, and thus do not include estimates of future impacts (that is, there is no extrapolation beyond the observation period). Since these results are discounted, dollar amounts do not match those presented in Tables 6.2, 6.3, and 6.6.

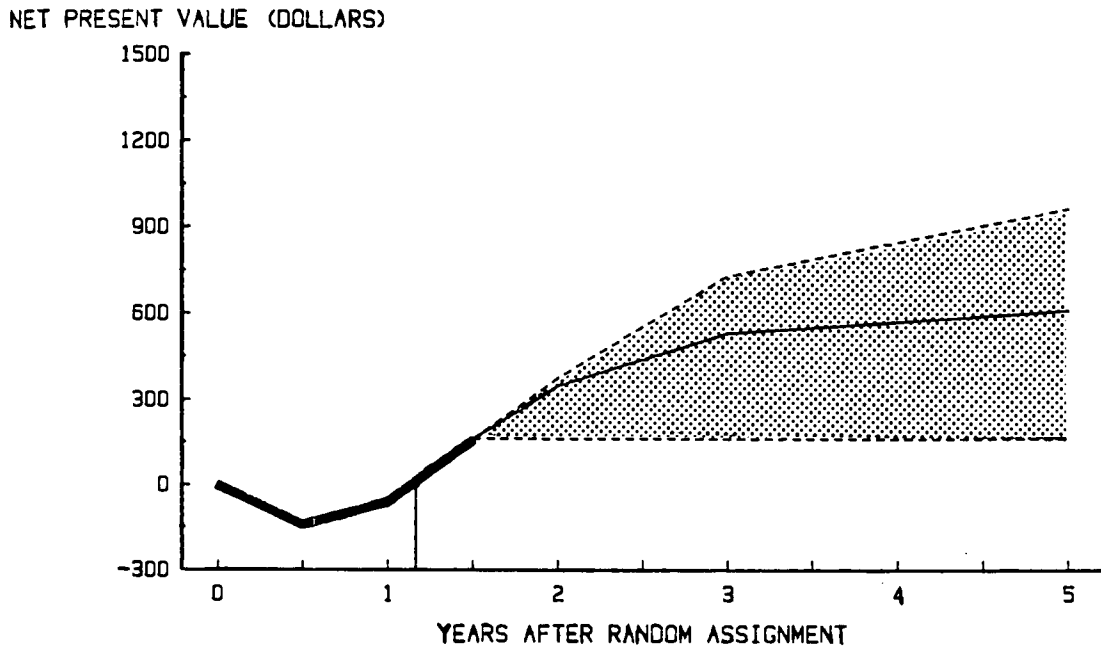
<sup>b</sup> Middle estimates include estimates of future benefits and costs (impacts are extrapolated assuming that the impacts decay at an annual rate of 22 percent after the observation period). See text for discussion.

<sup>c</sup> Upper estimates include estimated future benefits (impacts extrapolated assuming no decay of these impacts after the observation period).



FIGURE 6.2

# SOCIAL NET PRESENT VALUE OF OPTIONS PROGRAM OVER TIME, PER AFDC EXPERIMENTAL



## KEY

- Net Present Value in Observation Period
- Middle Estimate of Net Present Value in Post-Observation Period
- Lower and Upper Estimates of Net Present Value in Post-Observation Period

SOURCE: MDRC time study of OMR and OIC staff time spent on Options; MDRC calculations from Unemployment Insurance records; AFDC payments records; worksite survey; the Maryland Employment Service Automated Reporting System; WIN, OMR, and Maryland Department of Human Resources cost data; and published data on Medicaid costs, welfare administrative costs, tax rates and employee fringe benefits.

NOTES: Vertical line indicates "break-even point" at which program net benefits equal net costs. Results are expressed in fiscal year 1984 dollars. Lower estimate represents observed program impacts with no extrapolation, while middle and upper estimates extrapolate program impacts for five years, with decay and with no decay assumptions respectively.

benefits. The upper and lower assumptions on the decay of future benefits yield the range of potential values indicated by the shaded area in the figure. The estimated net present value based on the middle assumption is shown by the line between these bounds.

The net value of Options to AFDC experimentals is very clear. No matter which assumption about future benefits is used, the net present value from that perspective is highly positive. However, when the net present value of the program is examined from other perspectives, different findings emerge. The net present value from the perspective of taxpayers is totally dependent on future benefits. Without extrapolated benefits, taxpayers lose an estimated \$280. With future benefits estimated on the basis of the middle assumption, taxpayers gain an estimated \$65. Using the upper-bound assumption, the net present value to taxpayers is an estimated \$293. Thus, depending on which assumption is used, all or most of the social net present value of Options accrued to AFDC experimentals. Taxpayers broke even, more or less.

When benefits and costs are assessed from a narrower "government budget" perspective, the picture is somewhat less positive. Although all benefits but one constitute budgetary gains, the value of the labor services that work experience participants provided to community agencies did not directly affect government budgets. This means that, from a budgetary standpoint, benefits offset most, but not all, of the costs of the Options Program.

Disaggregating the results for AFDC applicants and recipients produces an interesting contrast. As indicated in Table 6.8, Options' social net present value for AFDC applicants is certainly positive, even without

TABLE 6.8

## BALTIMORE

ESTIMATED BENEFITS AND COSTS FROM THE SOCIAL PERSPECTIVE  
PER AFDC EXPERIMENTAL, BY WELFARE STATUS

Welfare Status and Component of Analysis	Lower Estimate <sup>a</sup>	Middle Estimate <sup>b</sup>	Upper Estimate <sup>c</sup>
<b>Applicants</b>			
<b>Benefits</b>			
Value of Work Experience Output	\$202	\$235	\$235
Increased Output from Employment	663	1741	2402
Reduced Use of Transfer Programs	24	44	57
Reduced Use of WIN Services	90	106	106
<b>Costs</b>			
Program Operating Costs	-662	-708	-708
Participant Out-of-Pocket Expenses	-13	-16	-16
<b>Net Present Value for Applicants [Benefits Minus Costs]</b>	<b>\$304</b>	<b>\$1402</b>	<b>\$2076</b>
<b>Recipients</b>			
<b>Benefits</b>			
Value of Work Experience Output	\$436	\$479	\$478
Increased Output from Employment	231	657	809
Reduced Use of Transfer Programs	11	31	39
Reduced Use of WIN Services	133	158	158
<b>Costs</b>			
Program Operating Costs	-831	-913	-913
Participant Out-of-Pocket Expenses	-29	-32	-32
<b>Net Present Value for Recipients [Benefits Minus Costs]</b>	<b>-\$49</b>	<b>\$380</b>	<b>\$540</b>

SOURCE: MORC time study of OMR and OIC staff time spent on Options; MORC calculations from Unemployment Insurance records; AFDC payments records; workite survey; the Maryland Employment Service Automated Reporting System; WIN, OMR, and Maryland Department of Human Resources cost data; published data on welfare costs, tax rates, and employee fringe benefits. See text for descriptions of these sources.

NOTES: Components are listed as benefits or costs according to a priori expectations regarding their value from the social perspective. However, the results presented reflect actual outcomes, not expectations. All estimated outcomes are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Positive amounts indicate a benefit; negative amounts indicate a cost. All benefits and costs are estimated for a five-year time horizon beginning at the point of random assignment, and are expressed in fiscal year 1984 dollars. Because of rounding, detail may not sum to totals.

<sup>a</sup>Lower estimates represent only observed program impacts, and thus do not include estimates of future impacts (that is, there is no extrapolation beyond the observation period). Since these results are discounted, dollar amounts do not match those presented in Tables 6.2, 6.3 and 6.6.

<sup>b</sup>Middle estimates include estimates of future benefits and costs (impacts are extrapolated assuming that the impacts decay at an annual rate of 22 percent after the observation period). See text for discussion.

<sup>c</sup>Upper estimates include estimated future benefits (impacts extrapolated assuming no decay of these impacts after the observation period).

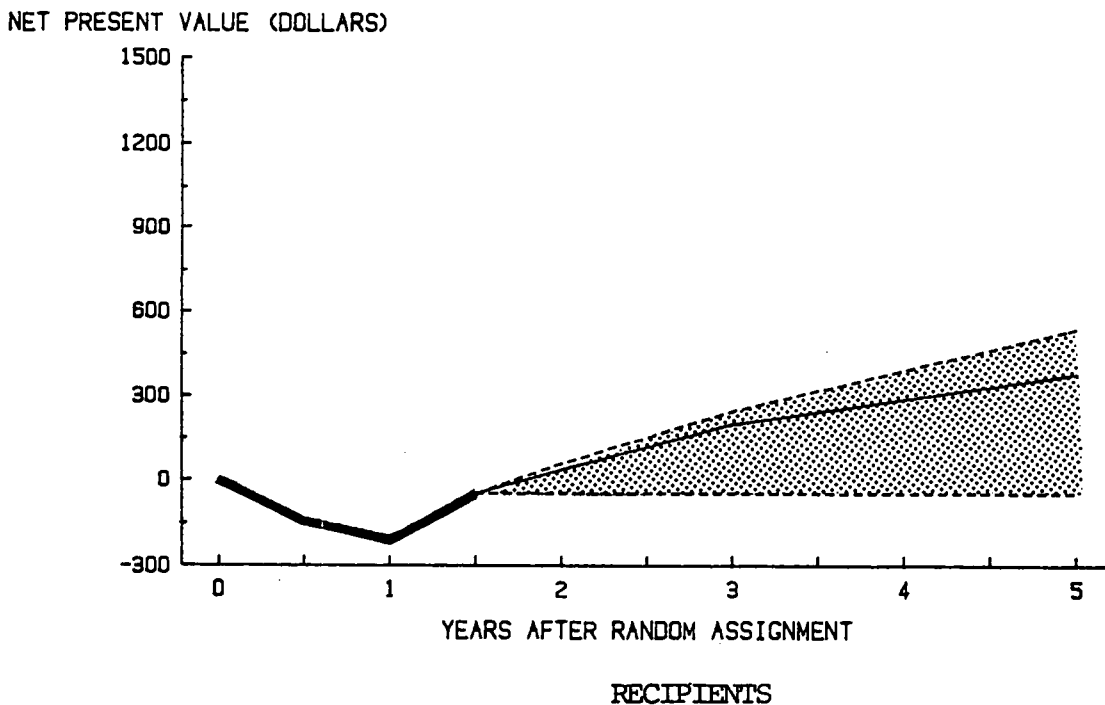
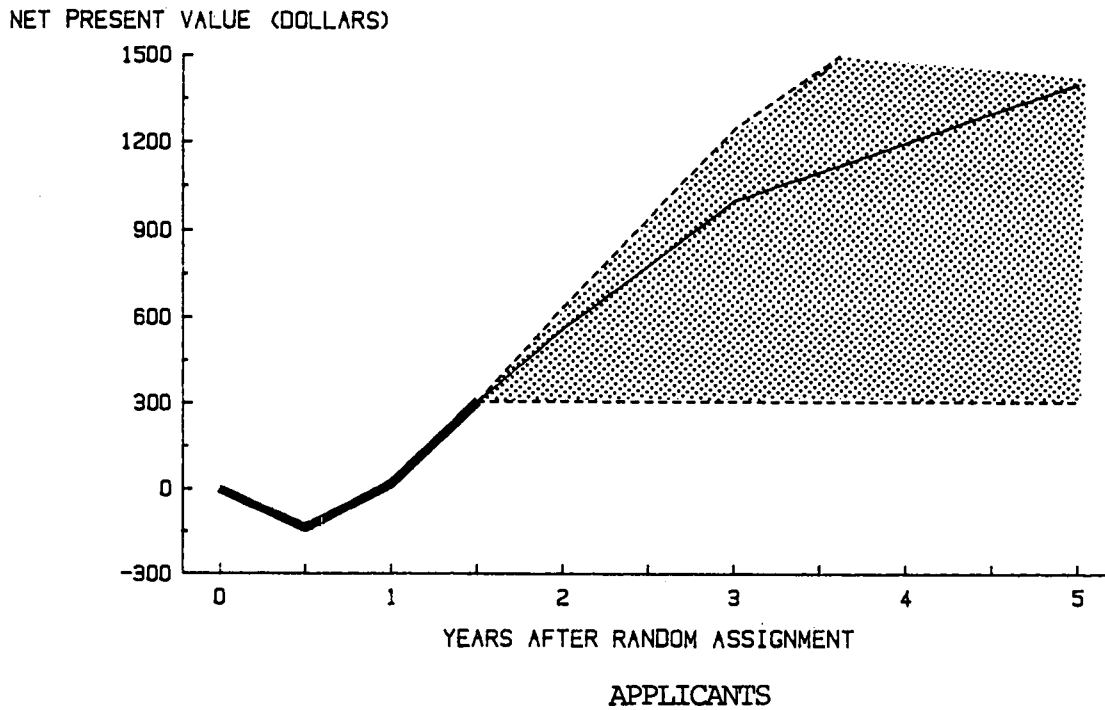
future benefits. For recipients, however, the social net present value requires extrapolated benefits in order to be positive. Both the middle and upper assumptions make the net present value positive for recipients, the latter increasing it to \$540.

The underlying story is suggested by Figure 6.3. Applicants' net present value rises rapidly to a positive value before the end of one year of observation. It continues to climb beyond that time, bringing the net present value of the program to between \$300 and \$2,100, depending on the assumption used. In contrast, recipients participated more often in training and work experience, both relatively expensive components requiring a longer tenure. Partly because of this, there were higher short-term costs and lower short-term benefits for recipients than for applicants. Thus, the net present value for recipients was still negative by the end of the observation period, and an overall judgment about the social efficiency of the program cannot be reached without making assumptions. Under the middle estimate, society reaches the break-even point in the second quarter after the end of the observation period.

Although not presented in a table, the distributional effects of Options are also sensitive to extrapolated benefits. While the value of the program to both applicants and recipients is positive regardless of assumptions, this is not true for the taxpayer perspective. The net present value of serving AFDC applicants is negative without future benefits, but positive if those benefits are included. The value for recipients is negative under all sets of assumptions, but taxpayers come closer to breaking even if the upper assumptions are used.

FIGURE 6.3

SOCIAL NET PRESENT VALUE OF OPTIONS PROGRAM OVER  
TIME PER AFDC EXPERIMENTAL , BY WELFARE STATUS



#### E. Findings for the AFDC-U Group

The picture is quite different for the AFDC-U group. As indicated in Chapter 5, the impact of Options on earnings and welfare outcomes proved to be negative, although the estimates were based on data for a relatively small number of experimentals and controls. As shown in Table 6.9, this resulted in negative "benefits" in all benefit categories except Unemployment Insurance, in-program output and the savings associated with the reduced use of the Program.

However, lower costs were incurred for the AFDC-U group than for the AFDC's, primarily because the AFDC-U's were less frequently assigned to group job search, training and work experience. In addition, because on average they remained in the program a shorter time than the AFDC group, the costs of their stipends and support services were considerably lower. Nonetheless, these lower costs could not offset the negative benefit findings.

As a result, as shown in Table 6.10, the estimated net present value of the program was negative for the AFDC-U group from all perspectives, regardless of the assumptions made about future benefits. The reduced earnings of the experimentals was the primary reason for these negative results from both the social perspective and that of the applicants and recipients. The lower earnings may have been caused in part by the fact that some of this group -- a generally more employable one than the AFDC's -- participated in training and work experience, and this may have reduced the amount of their active job search compared to controls. It may also reflect, to some extent, the relative effectiveness of the regular WIN services for the control group -- a treatment that emphasized quick

TABLE 6.9

## BALTIMORE

ESTIMATED EXPERIMENTAL-CONTROL DIFFERENCES IN BENEFITS AND COSTS  
PER AFDC-U EXPERIMENTAL THROUGH DECEMBER 1984

Benefits	Value	Costs	Value
Earnings	\$-1499	Options Operating Costs	
Fringe Benefits	-270	Compliance Activities	\$33
Taxes		Intake/Assessment	100
Federal Income Tax	-253	Job Placement Activities	38
State Income Tax	-97	Group Workshop	144
Social Security Tax	-105	Work Experience	48
State Sales and Excise Taxes	-10	Training	175
Transfer Payments		On-The-Job Training	4
AFDC <sup>a</sup>	467	Stipends	60
Unemployment Compensation	-13	Child Care	15
Medicaid	61	Transportation	6
Food Stamps	49		
Transfer Payment			
Administrative Costs			
AFDC <sup>a</sup>	50		
Unemployment Compensation	-1		
Medicaid	3		
Food Stamps	5		
In-Program Output <sup>c</sup>	290		
Reduced Use of WIN			
WIN Operating Costs	62		
WIN Support Services	6		

SOURCE: MORC time study of OMR and OIC staff time spent on Options; MORC calculations from worksite survey; Unemployment Insurance records; AFDC payments records; published data on welfare costs, tax rates and employee fringe benefits; the Maryland Employment Service Automated Reporting System; WIN, OMR, and Maryland Department of Human Resources cost data.

NOTES: The results are based on a sample of 166 AFDC-U experimentals and 182 AFDC-U controls. The differences for earnings, taxes, transfer payments, and transfer payment administration are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Options operating costs are average total costs incurred for experimentals only, as no controls participated in Options. Similarly, the benefit Reduced Use of WIN Services is the estimated total cost of serving controls in WIN, since no experimentals participated in WIN. Because of rounding, detail may not sum to totals.

<sup>a</sup>Includes AFDC and AFDC supplemental payments, which are one time only emergency payments for needs such as shelter, clothing, and transportation.

<sup>b</sup>Group Workshop includes Group Job Search and World of Work Components, as well as group job search days included in Jobs Plus I.

TABLE 6.10

## BALTIMORE

## ESTIMATED BENEFITS AND COSTS PER AFDC-U EXPERIMENTAL BY ACCOUNTING PERSPECTIVE

Component of Analysis	Lower Estimate <sup>a</sup>			Middle Estimate <sup>b</sup>			Upper Estimate <sup>c</sup>		
	Accounting			Perspective					
	Social	Applicant/ Recipient	Tax- payer	Social	Applicant/ Recipient	Tax- payer	Social	Applicant/ Recipient	Tax- payer
<b>Benefits</b>									
Output Produced by Participants									
Value of Work Experience Output	\$280	\$0	\$280	\$280	\$0	\$280	\$280	\$0	\$280
Increased Output from Employment	-1765	-1765	0	-2824	-2824	0	-5775	-5775	0
Increased Tax Payments	0	464	-464	0	725	-725	0	1497	-1487
Reduced Use of Transfer Programs									
Reduced AFDC Payments	0	486	-486	0	613	-613	0	1736	-1736
Reduced Payments from Other Programs	0	97	-97	0	-19	19	0	-284	294
Reduced AFDC Administrative Costs	-50	0	-50	-66	0	-66	-164	0	-164
Reduced Administrative Costs of Other Programs	-7	0	-7	6	0	6	36	0	36
Reduced Use of WIN Services									
WIN Operating Costs	62	0	62	91	0	91	61	0	91
WIN Support Services	0	-8	8	0	-6	6	0	-8	6
<b>Total Benefits</b>	<b>-\$1480</b>	<b>-\$744</b>	<b>-\$716</b>	<b>-\$2533</b>	<b>-\$1311</b>	<b>-\$1222</b>	<b>-\$5552</b>	<b>-\$2640</b>	<b>-\$2712</b>
<b>Costs</b>									
Program Operating Costs	-538	0	-538	-536	0	-536	-536	0	-536
Allowances and Support Services	0	66	-66	0	66	-66	0	66	-66
Participant Out-of-Pocket Expenses	-10	-10	0	-10	-10	0	-10	-10	0
<b>Total Costs</b>	<b>-\$548</b>	<b>\$66</b>	<b>-\$634</b>	<b>-\$546</b>	<b>\$66</b>	<b>-\$634</b>	<b>-\$546</b>	<b>\$66</b>	<b>-\$634</b>
<b>Net Present Value (Benefits Minus Costs)</b>	<b>-\$2008</b>	<b>-\$856</b>	<b>-\$1350</b>	<b>-\$3079</b>	<b>-\$1223</b>	<b>-\$1656</b>	<b>-\$6096</b>	<b>-\$2752</b>	<b>-\$3346</b>

SOURCE: MORC time study of OMR and OIC staff time spent on Options; MORC calculations from Unemployment Insurance records; AFDC payments records; workite survey; the Maryland Employment Service Automated Reporting System; WIN, OMR, and Maryland Department of Human Resources cost data; published data on welfare costs, tax rates, and employee fringe benefits. See text for descriptions of these sources.

NOTES: Components are listed as benefits or costs according to a priori expectations regarding their value from the social perspective. However, the results presented reflect actual outcomes, not expectations. All estimated outcomes are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. Positive amounts indicate a benefit; negative amounts indicate a cost. All benefits and costs are estimated for a five-year time horizon beginning at the point of random assignment, and are expressed in fiscal year 1984 dollars. Because of rounding, detail may not sum to totals.



TABLE B.10 (continued)

<sup>a</sup> Lower estimates represent only observed program impacts, and thus do not include estimates of future impacts (that is, there is no extrapolation beyond the observation period). Since these results are discounted, dollar amounts do not match those presented in Table B.9.

<sup>b</sup> Middle estimates include estimates of future benefits and costs (impacts are extrapolated assuming that the impacts decay at a constant annual rate after the observation period). See text for discussion.

<sup>c</sup> Upper estimates include estimated future benefits (impacts extrapolated assuming no decay of these impacts after the observation period).

placement into jobs because little money was available for employment and training assistance.<sup>32</sup> Also, given the small AFDC-U sample size, the results may merely reflect statistical imprecision. But, for whatever reason, Options was not an effective approach for the small group of AFDC-U experimentals that entered the research sample.

#### F. Conclusions

There is enough evidence from this evaluation of the benefits and costs of Options to draw several conclusions about program effectiveness. However, several important questions about Options as a policy approach cannot be answered without additional data.

One conclusion is that the program appears to be an efficient use of social resources. The estimated benefits of serving the AFDC group exceeded costs from the standpoint of society as a whole by at least \$159 per experimental, and perhaps by as much as \$1,000. The social benefits generated by the program were sufficient to offset its costs in a little over one year. The benefits that accrue to society after that time simply increase the program's value.

However, it is difficult to estimate the magnitude of these future benefits because of the limited length of the evaluation's follow-up period. The Options Program treatment -- which permitted participants to receive several different types of services, including remedial education and skills training -- was designed to have long-term effects on participants. Moreover, some of the intensive services could last well over a year and could then be followed by individual job search or placement assistance. Thus, because this analysis is based on only five to eight

quarters of follow-up, a range of estimates of the net social value of the programs has been provided.

Another firm conclusion is that Options improved the situation of AFDC applicants and recipients. This improvement resulted primarily from the increases in earnings they enjoyed and, to a lesser extent, from stipends they received while in the program. Although these gains were offset to some degree by three factors -- reduced transfer payments, increased taxes and out-of-pocket expenses -- a net increase in income was still apparent.

On the other hand, it is not as clear that taxpayers benefited from the program. The program's range of services resulted in higher costs than those incurred by less comprehensive program approaches. While Options' short-term effects on transfer payments, taxes and community services offset a substantial part of the total costs, the overall outcome depends on the magnitude of future benefits, about which there is uncertainty. The problem is worse if one assesses the value of the program from a purely budgetary standpoint, because this eliminates the value of work experience services -- a short-term benefit -- from consideration, meaning that the program's value is almost entirely dependent on future benefits. Again, additional follow-up data would help resolve this uncertainty.

Furthermore, it can be concluded that the Options Program affected various subgroups of the experimental group differently. The program clearly generated a higher net present value in the short-run for applicants than for recipients. However, the longer-run picture is less certain, because the net benefits produced for recipients were steadily increasing at the end of the observation period. More follow-up is needed to draw a firm conclusion. Another conclusion subject to uncertainty is

the program's lack of effectiveness for the AFDC-U group. In this case, the uncertainty would need to be addressed with a larger sample rather than additional follow-up data.

Finally, the results demonstrate that judging a program like Options on the basis of only its direct costs and AFDC savings would be highly misleading, even from the perspective of the taxpaying public. The benefits of in-program output, reduced Food Stamps, increased tax payments and the reduced use of WIN were all substantially more important to taxpayers than the reduction in AFDC payments.

The overall results indicate that Options is an effective program. How effective it is cannot be fully assessed because the program was intended to have long-term effects on the people it served, and the evaluation was limited to a short period of time. Also, as indicated earlier in this chapter, the analysis does not take into account intangible effects of the program that could not be measured. However, the available information does indicate that Options clearly improved the situation of welfare applicants and recipients at a cost to taxpayers that is largely or entirely offset by the savings and gains they receive as a result of the program.

## CHAPTER 7

### PARTICIPATION IN THE BASIC EMPLOYMENT TRAINING PROGRAM OF WICOMICO COUNTY

This chapter will discuss the Basic Employment Training Program (BET) of Wicomico County, focusing primarily on patterns of participation. As noted in the first report, Wicomico County is a largely rural area, in which food processing plants are important to the local economy. Thus, the setting for BET and the population it serves are quite different from those of the Baltimore Options Program, as are the two program models themselves. While no direct comparison is therefore possible, it is inevitable that these first two Employment Initiatives will be discussed in such terms: both did attempt, as described in Chapter 1, to improve on the record of the WIN Program in enhancing the employability and employment of the AFDC population. Certain points are therefore highlighted and contrasted in this chapter to explain some of the similarities and variations in participation levels and the character of the targeted populations. To facilitate this description, the chapter parallels Chapter 4 in subject matter.

#### A. The BET Program Design

As explained in Chapter 1, the BET Program was designed as a "saturation" program, aiming to provide employability services to all WIN-mandatory applicants for and recipients of AFDC in Wicomico County. It replaces the WIN Program in the area, and is expected to serve about 500 persons a year. In this, it differs from Options, where coverage, during the study

period, was limited to about 1,000 of the Baltimore caseload. BET, in addition, enrolls WIN volunteers, primarily mothers whose youngest child is under the age of six, although these individuals are not included in the research sample.

As in Baltimore, not all WIN-mandatory individuals are considered appropriate for immediate participation. Long-term medical or mental disabilities and family problems confer an exemption, as does prior involvement in a job or an educational program. These enrollees are assigned to a holding status, and become WIN, not BET, registrants. Two other categories of BET enrollees are also assigned to a holding status: those living too far from the program offices or worksites to reasonably participate (there is no public transportation in the area); and those who have been temporarily laid off from seasonal work (i.e., jobs in school cafeterias, resorts or the food processing industry).

The BET design differs from Options in many ways. While both programs provide their registrants with a mix of services, many of which aim to improve long-term employability, BET more closely resembles the traditional WIN Program in its initial emphasis on job placement. It was planned and has mostly been implemented as a fixed program sequence, in which individuals participate first in a job search component, after which they may enter one of several activities. Unlike Options, registrants have no choice in the first assignment, but do take part in the decision about a second component.

Job search in BET consists of a three-week course in which job search instruction is combined with pre-employment training. Classes are held five days a week for six hours a day. Sometime during this component,

participants are reassessed in an interview that focuses on selecting a second activity according to a person's needs and interests. BET participants and their counselors jointly consider the possibilities.

One of four possible paths is available to BET participants at this point. They may enter an educational program and work toward a GED; receive occupational skills training in a classroom setting or on-the-job; or participate in a work experience component known as Job Practice. As a fourth alternative, enrollees may also be excused from further activities, deregistered from the BET Program and placed in WIN. Generally, those who deregister at this time have been judged by staff as unable to find jobs in the current labor market, even with further BET participation.

In the majority of cases, participants were assigned to Job Practice. Work experience positions could last for up to 13 weeks, with the possibility of reassignment if both the participant and BET counselor concur. As discussed more fully in a later section, other enrollees were assigned to education or training as a second component. However, assignment to skills training only took place if enrollees expressed a strong interest and if BET staff agreed that this service was necessary.

Following participation in a second component, another reassessment is conducted. While a third assignment is still a possibility, the enrollee at this point has fulfilled all program obligations and can be deregistered and sent to the regular WIN Program.

#### B. The BET Research Sample

Two samples were analyzed in Wicomico County. For an analysis of demographic characteristics, the full sample consisting of 524 WIN-mandatory

individuals who enrolled in BET between October 1, 1982 and December 31, 1983 was used. This sample is the same one studied in the first Maryland report, but follow-up has now been extended to a minimum of 21 and a maximum of 25 months. However, participation data are only available for a subsample of those who registered between October 1, 1982 and March 31, 1983.

Within the full sample, as seen in Table 7.1, 393 (75 percent of the sample) were AFDC's and 131 (25 percent) were AFDC-U's. Upon entering BET, about 60 percent were applicants and about 40 percent recipients. Most were female, but slightly more than a third were male. In ethnic composition, the sample was fairly evenly divided between black (53.2 percent) and white (46.0 percent) members, but was diverse in marital status: 27.9 percent of the BET registrants had never married; the 52.3 percent who were married consisted of 27.3 percent who were living with their spouses (largely because of the AFDC-U's), and a quarter who were not. The remainder were divorced or widowed. About 41 percent of the total sample had a high school diploma or the equivalent.

As the table shows, the sample had experienced a fair degree of prior welfare dependency, but its record of prior employment was also high. In Wicomico, 37.0 percent had received welfare in the past for more than two years and, on average, had been on welfare for 8.9 of the 24 months before program entry. Yet, in the two years prior to enrollment, 76.1 percent of the sample had held a job; the average length of the longest job during that period was 16.8 months.

Table 7.1 also reveals the sample's characteristics by the category of assistance received: AFDC (for the primarily female single heads of house-



TABLE 7.1

## WICOMICO COUNTY

SELECTED CHARACTERISTICS OF THE BET RESEARCH SAMPLE  
 AT THE TIME OF PROGRAM ENROLLMENT, BY ASSISTANCE CATEGORY  
 (OCTOBER 1982 - DECEMBER 1983 SAMPLE)

Characteristic	AFOC	AFOC-U	Total
Welfare Status (%)			
Applicant	57.7	69.0	60.8*
Recipient	42.3	31.0	39.2*
Age (%)			
18 Years or Less	11.5	0.8	8.8***
19 to 24 Years	7.1	19.8	10.3***
25 to 34 Years	49.7	54.2	50.9
35 to 44 Years	23.7	19.8	22.8
45 Years or More	7.9	5.3	7.3
Average Age (Years)	31.0	29.7	30.7
Sex (%)			
Male	17.3	92.4	36.1***
Female	82.7	7.6	63.9***
Ethnicity (%)			
White, Non-Hispanic	41.7	58.8	46.0***
Black, Non-Hispanic	57.5	40.5	53.2***
Hispanic	0.3	0.8	0.4 <sup>d</sup>
Other	0.5	0.0	0.4 <sup>d</sup>
Degree Received (%)			
None	59.0	57.3	58.6
General Equivalency Diploma	11.2	4.6	9.5**
High School Diploma	29.8	38.2	31.9*
Average Highest Grade Completed	10.3	10.2	10.3
Marital Status (%)			
Never Married	34.7	7.6	27.9***
Married, Living With Spouse	9.2	81.7	27.3***
Married, Not Living With Spouse	30.9	7.6	25.0***
Divorced, Widowed	25.3	3.1	19.7***
Average Number of Children by Age			
Less Than 4 Years	0.08	0.97	0.30***
4 to 5 Years	0.04	0.26	0.10***
6 to 12 Years	1.05	0.74	0.97***
13 to 18 Years	0.61	0.16	0.50***
Average Number of Children Under 19 Years of Age	1.78	2.13	1.87***
Any Children (%) <sup>e</sup>			
Less Than 6 Years	8.9	75.6	25.6***
Between 6 and 18 Years	87.8	49.6	78.2***

TABLE 7.1 (continued)

Characteristic	AFDC	AFDC-U	Total
Prior AFDC Dependency (%)			
Never on AFDC	24.9	49.6	31.1***
Two Years or Less	27.7	44.3	31.9***
More Than Two Years	47.3	6.1	37.0***
Average Months on AFDC During Two Years Prior to Enrollment	11.0	2.8	8.9***
Average Months Unable to Work Due to Medical Problems in Two Years Prior to Enrollment	1.3	0.8	1.2
Average Months Employed During Two Years Prior to Enrollment	6.8	13.2	8.4***
Ever Held Job in Two Years Prior to Enrollment (%)	69.2	96.9	76.1***
For Longest Job Held in Past Two Years			
Average Hourly Wage Rate (\$)	4.01	4.76	4.25***
Average Weekly Hours	34.6	39.2	36.0***
Duration of Job (Months)	15.9	18.9	16.8
Total Sample <sup>c</sup>	393	131	524

SOURCE: Calculations from MDRC Client Information Sheets.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup>Distributions may not add to 100.0 percent because individuals can have children in more than one category.

<sup>b</sup>For questions concerning longest job, sample sizes are based on the number of individuals who report a longest job on the Client Information Sheet. Due to missing data for selected characteristics, these sample sizes vary from 267-269 for AFDC's and 126-127 for AFDC-U's.

<sup>c</sup>For selected characteristics, sample sizes may vary up to one sample point due to missing data.

<sup>d</sup>Chi-square tests inappropriate due to low expected cell frequencies.

\*Differences between assistance categories are statistically significant at the 10 percent level using a two-tailed t-test or chi-square test.

\*\*Differences between assistance categories are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\*Differences between assistance categories are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

holds), or AFDC-U (for the mostly male heads of the two-parent households). Among notable differences were the higher proportion of blacks in the AFDC category (57.5 percent) than the AFDC-U group (40.5 percent) and the more substantial history of prior welfare receipt among AFDC's; this subsample had spent an average of 11.0 months on the rolls in the two years before enrollment compared to only 2.8 months for the AFDC-U category. Furthermore, 96.9 percent in the AFDC-U category, but 69.2 percent of the AFDC group, reported employment in the two-year period prior to registration. These figures suggest that the AFDC enrollees, for the most part, were a good deal more disadvantaged than the AFDC-U group, which in Wicomico formed a larger proportion of the total sample (25.0 percent) than was the case in the Options Program (10.8 percent).

Certain other differences between the research samples in Baltimore and Wicomico County can be noted, particularly in the AFDC category. (See Table E.1 in the Appendix.) In Wicomico County, for example, the AFDC group was 82.7 percent female, in contrast to 89.9 percent in Baltimore; 57.5 percent of the Wicomico enrollees were black compared to 69.2 percent in Baltimore; and 34.7 percent had never married, in contrast to Baltimore's 40.5 percent. More importantly, the Wicomico AFDC sample appeared less welfare-dependent than the Baltimore AFDC's. More Wicomico enrollees (24.9 percent) had never before been head of a welfare case (compared to 13.9 percent) and a somewhat lower proportion (47.3 vs. 54.7 percent) had received welfare for more than two years prior to program entry. Similarly, more of the AFDC enrollees in Wicomico reported prior employment: 69.2 percent versus 45.1 percent in Options. And, although the small size of the AFDC-U sample limits findings of statistical

significance, some parallel differences were apparent between the AFDC-U samples -- notably, 96.9 percent of the BET AFDC-U sample had reported employment in the two years before enrolling compared to 80.2 percent in Baltimore.

Table 7.2 again presents the characteristics of the full sample, this time divided by welfare status: i.e., applicants for and recipients of AFDC in Wicomico County. In general, the table indicates that recipients tend to be more disadvantaged in both assistance categories (but the small size of the AFDC-U sample suggests caution in generalizing for this group). In both groups, a higher proportion of recipients than applicants were black, and recipients had spent more time than applicants on the welfare rolls in the two years before enrollment. Fewer recipients of AFDC had held a job prior to enrollment. These relationships are similar to those found in Table 2.3 for the Baltimore sample, in which the Baltimore recipient group can be seen as especially disadvantaged.

### C. Patterns of Participation

As stated before, this discussion will only consider the participation data for those BET enrollees who registered for the program between October 1, 1982 and March 31, 1983. This sample contained 306 individuals, whose demographic and background characteristics are similar to those found for the full sample.

#### 1. Overall Participation Levels

Although the BET program was designed to serve all WIN-mandatory individuals, certain people were exempted, and participation was not expected to be universal. The first report found that 47.5 percent of the BET

TABLE 7.2

## WICOMICO COUNTY

SELECTED CHARACTERISTICS OF THE BET RESEARCH SAMPLE  
 AT THE TIME OF ENROLLMENT, BY ASSISTANCE CATEGORY AND WELFARE STATUS  
 (OCTOBER 1982 - DECEMBER 1983 SAMPLE)

Characteristic	AFDC		AFDC-U	
	Applicants	Recipients	Applicants	Recipients
Average Age (Years)	32.8	28.9***	29.7	29.7
Sex (%)				
Male	16.5	18.3	90.5	97.2
Female	83.5	81.7	9.5	2.8
Ethnicity (%)				
White, Non-Hispanic	45.9	38.8*	85.3	41.7**
Black, Non-Hispanic	52.8	83.4** <sub>b</sub>	33.7	58.3** <sub>b</sub>
Hispanic	0.5	0.0 <sub>b</sub>	1.1	0.0 <sub>b</sub>
Other	0.9	0.0	0.0	0.0
Degree Received (%)				
None	54.6	84.6*	53.7	88.7 <sub>b</sub>
General Equivalency Diploma	13.8	8.0	5.3	2.8
High School Diploma	31.7	27.4	41.1	30.8
Marital Status (%)				
Never Married	28.4	42.5***	7.4	8.3
Married, Living With Spouse	11.0	8.9	85.3	72.2
Married, Not Living With Spouse	32.8	28.7	5.3	13.9 <sub>b</sub>
Divorced, Widowed	28.0	21.8	2.1	5.8
Prior AFDC Dependency (%)				
Never on AFDC	28.4	20.8*	52.8	41.7
Two Years or Less	33.5	20.8***	42.1	50.0
More Than Two Years	38.1	58.9***	5.3	8.3
Average Months on AFDC During Two Years Prior to Random Assignment	7.2	15.7***	2.1	4.5**
Ever Held Job in Two Years Prior to Enrollment (%)	81.2	54.3***	98.8	97.2 <sub>b</sub>
Sample Size <sup>a</sup>	218	175	95	38

SOURCE: Calculations from MORC Client Information Sheets.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup>For selected characteristics, sample sizes may vary up to one sample point due to missing data.

<sup>b</sup>Chi-square tests inappropriate due to low expected cell frequencies.

Differences between applicants and recipients within an assistance category are statistically significant at the following levels using a two-tailed t-test or chi-square test: \* = 10 percent, \*\* = 5 percent, \*\*\* = 1 percent.

enrollees participated in at least one component within the first three months of enrollment. The follow-up information in this chapter shows that 51.6 percent of the BET enrollees participated in at least one component within the first 12 months of enrollment. Discussion of this finding follows in later sections.

## 2. Involvement in Different Components

Table 7.3 examines participation rates in the different BET activities. As in the case of the Options Program in Baltimore, the most frequently used component in the BET Program was job search. However, a larger proportion of enrollees used job search in Wicomico (46.7 percent) than in Baltimore (29.6 percent), primarily because BET required job search as the first activity. (In Baltimore, job search was just one of several options open to enrollees.) One exception to the BET job search requirement should be noted. Out-of-school youths were assigned to educational remediation when BET staff decided they lacked the education and/or experience to make a job search effort worthwhile.

Participation in program components other than job search was similar in the two programs. In Wicomico, work experience, or Job Practice, was the most common second activity, with 19.0 percent of the sample participating compared to 20.6 percent in Baltimore. (These figures also include a small number of individuals who received on-the-job training financed through grant diversion.) The other possible sequels to job search in BET -- education and training -- were used less frequently, but the proportion is notable. In Wicomico, 12.4 percent of the sample participated in education and training compared to 19.7 percent of the Options sample. (For only 14 percent of the Options sample were these

TABLE 7.3

## WICOMICO COUNTY

TWELVE-MONTH PERFORMANCE INDICATORS FOR BET PROGRAM REGISTRANTS,  
BY ASSISTANCE CATEGORY AND WELFARE STATUS  
(OCTOBER 1982 - MARCH 1983 SAMPLE)

Performance Indicator	AFDC			AFDC-U			Total		
	Applicant	Recipient	Both	Applicant	Recipient	Both	Applicant	Recipient	Both
Participation Rate									
Any Active Component	45.3	67.0	54.5***	37.9	57.7	44.0	43.0	65.0	51.6***
Job Search	43.0	55.3	48.2*	37.6	53.6	42.8	41.4	55.0	48.7**
Work Experience	14.8	27.7	20.3**	15.5	15.4	15.5	15.1	25.0	18.0**
Education and Training	11.7	21.3	15.8*	0.0	11.5	3.8 <sup>a</sup>	8.1	19.2	12.4***
Placement Rate	28.8	25.5	27.5	32.8	42.3	35.7	30.1	26.2	28.7
Overregistration Rate	80.2	40.4	51.8***	70.7	78.9	72.8	83.4	48.3	57.5**
Sample Size	128	84	222	58	26	84	188	120	308

SOURCE: MORG calculations from the Maryland Employment Service Automated Reporting System.

NOTES: ALL performance indicators are calculated as a percentage of the total number of individuals in the indicated assistance category or welfare status who registered with BET within three months of enrollment.

Participation is defined as attending any activity for at least three days.

<sup>a</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\* Differences between welfare statuses within assistance categories are statistically significant at the 10 percent level using a chi-square test.

\*\* Differences between welfare statuses within assistance categories are statistically significant at the 5 percent level using a chi-square test.

\*\*\* Differences between welfare statuses within assistance categories are statistically significant at the 1 percent level using a chi-square test.

activities of extended duration.) In most other programs studied by MDRC, the substantial use of education and training components has not been a high priority.

Table 7.3 also looks at variation in BET participation rates by type of assistance category as well as by welfare status. Overall, more AFDC's (54.5 percent) than AFDC-U's (44.0 percent) participated in some BET activity; in both categories combined, a much higher proportion of recipients (65.0 percent) than applicants (43.0 percent) took part. Participation levels in the mandated job search classes were roughly similar by assistance category, but within each category, more recipients than applicants took part in the activity.

More variety can be seen in the components following job search. While quite similar proportions of AFDC's and AFDC-U's participated in work experience (20.3 and 15.5 percent), many more AFDC's were assigned to and took part in education and training: 15.8 percent compared to only 3.6 percent of the AFDC-U's. More AFDC recipients (27.7 percent) also took part in work experience compared to AFDC applicants (14.8 percent), and a similar relationship is seen in education and training, where 21.3 percent of recipients received these services compared to 11.7 percent of AFDC applicants. Within the AFDC-U category, 11.5 percent of the recipients and none of the applicants participated in education and training services. These patterns may indicate that BET staff tried to assign the more disadvantaged enrollees -- the AFDC's and especially the recipients -- to services designed to improve their long-term employability skills.

Two other factors were indirectly connected to the differential rates of participation: program deregistration and job placements. As is to be



expected, deregistration rates were much higher for applicants than recipients; within 12 months of enrollment, 63.4 percent of the BET applicants but only 48.3 percent of the BET recipients had left the program. Thus, since a program understandably has more chance to obtain participation the longer a person is enrolled, applicants may have been at a disadvantage compared to the recipient group -- although other factors are also important, such as how quickly program services are assigned and how long it takes for welfare applications to be processed.

One reason for the applicants' high rate of departure is that many within this group are not approved for welfare; in 1981, for example, operational records show that of the applications processed, 36 percent were not approved for welfare. Job placement, another reason for deregistration, could also influence participation rates, but except within the AFDC-U category, similar proportions of subgroups were placed in jobs: the rates were 28.9 percent and 25.5 percent for AFDC applicants and recipients, respectively. (However, within the small AFDC-U sample, the higher placement rate for recipients (42.3 percent) over applicants (32.8 percent) is noticeable, but not statistically significant). It is also important to remember that these placement rates probably underestimate employment, as discussed in Chapter 4, and that the sample size of the AFDC-U group was very small.

Finally, sanctioning could also cause deregistration but, as in the case of the Options Program, the sanctioning rate in BET was low. Only 9 people (3 percent of this subsample) were sanctioned within 12 months of program registration.

### 3. Intensity of Participation

Table 7.4 shows another important participation indicator: how many BET enrollees took part in at least one activity, and how many went on to other activities. As seen in the table, 22.0 percent of the applicants and 35.0 percent of the recipients participated in just one component -- usually job search. As for further involvement, 20.4 percent of the applicants and 25.8 percent of the recipients were involved in two activities, with a larger drop-off among recipients, particularly the AFDC-U's. It is also noteworthy that substantially more AFDC's than AFDC-U's took part in two components. Very few enrollees participated in three components, and almost all were recipients (4.2 percent versus less than 1 percent of the applicants).

Degree of disadvantage helps explain this distribution. The more disadvantaged groups (AFDC's and particularly the AFDC recipients) were more likely to remain on welfare longer, and therefore to participate in more than one component. Nearly one-third of the AFDC recipients participated in more than one activity.

### 4. Participation Patterns Over Time

Figure 7.1 tracks the participation rates of the BET enrollees by period of program entry: October through December 1982 and January through March 1983. The participation levels for the two groups are similar except for the early enrollees in the first few months of the program. During this period, a large group of registrants entered temporary holding status pending the start of job search classes, and it took some time for this backlog to clear up. By the time the second group registered in 1983, job search slots were no longer a problem.

TABLE 7.4

## WICOMICO COUNTY

DISTRIBUTION OF PROGRAM REGISTRANTS, BY ASSISTANCE CATEGORY,  
INITIAL WELFARE STATUS, AND NUMBER OF ACTIVE COMPONENTS PARTICIPATED IN  
DURING THE TWELVE MONTHS AFTER ENROLLMENT  
(OCTOBER 1982 - MARCH 1983 AFDC AND AFDC-U SAMPLE)

Assistance Category And Welfare Status	Number of Active Components				Total
	None	One	Two	Three	
AFDC					
Applicant	54.7	21.9	22.7	0.8	57.7 (N=128)
Recipient	33.0	34.0	28.7	4.3	42.3 (N=94)
AFDC-U					
Applicant	82.1	22.4	15.5	0.0	89.0 (N=58)
Recipient	42.3	38.5	15.4	3.8	31.0 (N=28)
Both Categories					
Applicant	57.0	22.0	20.4	0.5	80.8 (N=186)
Recipient	35.0	35.0	25.8	4.2	39.2 (N=120)

SOURCE: MORC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: Distributions are calculated as a percentage of all individuals registered with BET in the indicated assistance category and welfare status.

Participation is defined as attending any activity for at least three days.

Distributions may not add exactly to 100.0 percent because of rounding.

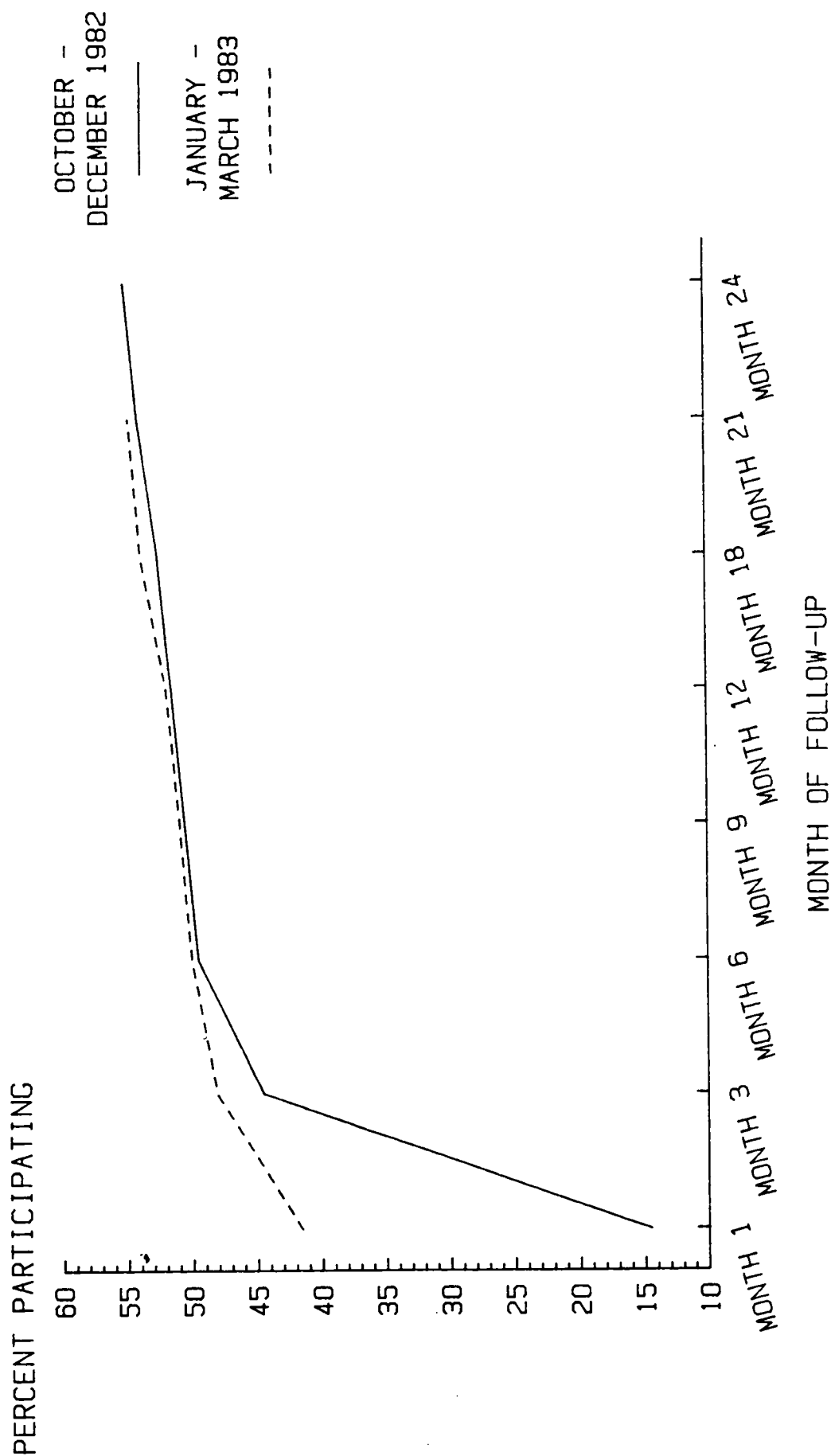
Numbers in parentheses indicate sample sizes.

Tests of statistical significance were not examined.

FIGURE 7.1

WICOMICO COUNTY

TRENDS IN CUMULATIVE PARTICIPATION RATES IN ANY ACTIVITY  
FOR AFDC AND AFDC-U PROGRAM REGISTRANTS,  
BY PERIOD OF ENROLLMENT



SOURCE: Maryland Employment Service  
Automated Reporting System.

The trends in participation for the BET subgroups over time reflect this start-up problem, showing that, by the end of the first month, 42 percent of the later registrants had participated contrasted to 15 percent of the earlier group. By the third month, the levels of participation were closer; over 48 percent of the later group and about 45 percent of the earlier group had taken part in an activity. For each group, participation increased most quickly in the first three months and less dramatically between the third and sixth months. By the six-month point, the participation rates for both groups were about 50 percent and, thereafter, the rates remained fairly constant. There was only a slight increase during the rest of the follow-up period.

#### 5. Participation and its Relationship to Continuous Eligibility

As noted in Chapter 4, a measure of participation that includes people who were not eligible during the whole period studied may understate program achievements. Some who enrolled in the BET Program were in fact not continuously eligible over the 12-month interval; some were not approved for welfare or found jobs and left the program, and others were exempted from participation and assigned to a holding status, then deregistered from the program. Thus, a 51.6 percent participation rate does not take into account the fact that program staff could not reach and serve some people.

Table 7.5 parallels Table 4.8, in which both participation and enrollment status are examined together. All registrants are divided into four groups on the basis of two criteria -- deregistered from the BET Program during the 12 months or continuously enrolled; and participated or not during the 12 months following program enrollment.

TABLE 7.5

## WICOMICO COUNTY

TWELVE-MONTH PARTICIPATION STATUS OF BET PROGRAM REGISTRANTS,  
BY ENROLLMENT STATUS DURING THE TWELVE MONTHS AFTER ENROLLMENT  
(OCTOBER 1982 - MARCH 1983 AFOC AND AFOC-U SAMPLE)

Twelve-Month Participation Status	Enrollment Status During Twelve Months		Total	Sample Size
	Ever Registered	Continuously Enrolled		
Ever Participated (%)	24.8	26.8	51.6	158
Never Participated (%)	32.7	15.7	48.4	148
Total (%)	57.5	42.5	100.0	306

SOURCE: MORC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: Figures on enrollment and participation status are calculated as a percentage of all individuals who registered with BET.

Participation is defined as attending any activity for at least three days.

Tests of statistical significance were not calculated.

Overall, about 84.3 percent of the BET enrollees had either deregistered and/or participated in program services within the 12-month period, but 15.7 percent of the sample had not. (These rates are not strictly comparable to those found in Options because BET, but not Options, deregistered those assigned to long-term holding.) In contrast, about 77.6 percent of the Options enrollees had participated and/or deregistered by the 12-month mark, but 22.4 percent had never participated and were still eligible.

The table provides a clear picture of how the sample falls into four possible combinations. The largest category (32.7 percent of the total) consists of people who deregistered without participating. The second biggest group contains those who had participated but were still enrolled at 12 months (26.8 percent). Somewhat fewer (24.8 percent) had participated, but were deregistered within the 12-month period. The smallest category (15.7 percent) consists of those who were continuously enrolled but had never participated. Of those who were not deregistered -- that is, those who were continuously eligible for participation -- more had participated than had not.

Part of the explanation for these figures lies in the subgroup breakdowns. Table 7.6 provides information on participation and deregistration by assistance category and by welfare status. Different patterns of participation for applicants and recipients are again evident. AFDC applicants were more likely to have been deregistered from the BET Program without participating than AFDC recipients (37.5 percent vs. 18.1 percent). Recipients were nearly twice as likely as applicants to have participated and still be enrolled (44.7 percent compared to 22.7 percent). The table

TABLE 7.6

## WICOMICO COUNTY

TWELVE-MONTH PARTICIPATION STATUS OF BET PROGRAM REGISTRANTS,  
BY ENROLLMENT STATUS DURING THE TWELVE MONTHS AFTER ENROLLMENT,  
ASSISTANCE CATEGORY, AND WELFARE STATUS  
(OCTOBER 1982 - MARCH 1983 SAMPLE)

Assistance Category And Welfare Status	Ever Registered	Continuously Enrolled	Total
<b>AFDC</b>			
Applicant			
Ever Participated	22.7	22.7***	45.3
Never Participated	37.5***	17.2	54.7
Total	60.2	39.8	100.0 (N=128)
Racipient			
Ever Participated	22.3	44.7	67.0
Never Participated	18.1	14.9	33.0
Total	40.4	59.6	100.0 (N=94)
Both			
Ever Participated	22.5	32.0	54.5
Never Participated	29.3	16.2	45.5
Total	51.8	48.2	100.0 (N=222)
<b>AFDC-U</b>			
Applicant			
Ever Participated	22.4**	15.5 <sup>a</sup>	37.9
Never Participated	48.3	13.8 <sup>a</sup>	62.1
Total	70.7	29.3	100.0 (N=58)
Racipient			
Ever Participated	50.0	7.7	57.7
Never Participated	26.9	15.4	42.3
Total	76.9	23.1	100.0 (N=26)
Both			
Ever Participated	31.0	13.1	44.0
Never Participated	41.7	14.3	56.0
Total	72.6	27.4	100.0 (N=84)

(continued)



TABLE 7.6 (continued)

Assistance Category And Welfare Status	Ever Registered	Continuously Enrolled	Total
Total			
Applicant			
Ever Participated	22.6	20.4***	43.0
Never Participated	40.9***	16.1	57.0
Total	63.4	36.6	100.0 (N=186)
Recipient			
Ever Participated	28.3	36.7	65.0
Never Participated	20.0	15.0	35.0
Total	48.3	51.7	100.0 (N=120)
Both			
Ever Participated	24.8	26.8	51.6
Never Participated	32.7	15.7	48.4
Total	57.5	42.5	100.0 (N=306)

SOURCE: MORC calculations from the Maryland Employment Service Automated Reporting System.

NOTES: Figures on enrollment and participation status are calculated as a percentage of all individuals who registered with BET.

Participation is defined as attending any activity for at least three days.

Numbers in parentheses indicate sample sizes.

Chi-square tests are shown for differences between applicants and recipients within the indicated enrollment and participation status. Tests for differences across and down totals are not shown. Significance levels are: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

<sup>a</sup> Chi-square test inappropriate due to low expected cell frequencies.

also shows that within the small AFDC-U sample, a large proportion of the recipients (76.9 percent) had been deregistered.

The figures on background characteristics provided in Table 7.7 support the finding that the relatively disadvantaged subgroups stayed in the program longer. Recipients and the AFDC group as a whole, and particularly registrants on welfare for more than two years and people who had never married, were more likely to have participated and still be enrolled at 12 months than the sample as a whole. The more advantaged groups -- applicants and AFDC-U enrollees -- were more likely to have deregistered without participating than the sample as a whole.

#### D. Conclusions

This chapter reports similar levels of participation in programs aimed at enhancing the self-sufficiency of welfare enrollees in a rural county of Maryland and in the city of Baltimore. In both cases, a majority of enrollees participated in some component of the program within 12 months of program entry (51.6 percent in Wicomico County and 52.7 percent in Baltimore).

The patterns of participation in the two programs were similar, both in terms of involvement in different components and in the intensity of that involvement (that is, the number of components in which they participated). In both cases, more enrollees participated in job search than in work experience, education or training. However, in the BET Program, job search was the mandated first program activity in contrast to Options, where registrants were given a choice from a menu of services. As a result, more participants in BET than in Options went through the job

TABLE 7.7

## WICOMICO COUNTY

SELECTED CHARACTERISTICS OF THE SET PROGRAM REGISTRANTS  
AT THE TIME OF ENROLLMENT, BY ENROLLMENT STATUS AND PARTICIPATION STATUS  
DURING THE TWELVE MONTHS AFTER ENROLLMENT  
[OCTOBER 1982 - MARCH 1983 AFDC AND AFDC-U SAMPLE]

Characteristic	Registered/ Ever Participated	Registered/ Never Participated	Continuously Enrolled/ Ever Participated	Continuously Enrolled/ Never Participated	Total
Welfare Status					
Applicant	22.8	40.9	20.4	16.1***	100.0 (N=186)
Recipient	26.3	20.0	38.7	15.0***	100.0 (N=120)
Assistance Category					
AFDC	22.5	29.3	32.0	16.2***	100.0 (N=222)
AFDC-U	31.0	41.7	13.1	14.3***	100.0 (N=64)
Sex (%)					
Male	25.6	43.6	17.1	13.7***	100.0 (N=117)
Female	24.3	25.9	32.8	18.9***	100.0 (N=169)
Ethnicity (%)					
White, Non-Hispanic	17.9	39.1	21.6	21.2***	100.0 (N=156)
Black, Non-Hispanic	32.4	25.0	32.4	10.1***	100.0 (N=148)
Hispanic	0.0	0.0	0.0	0.0 <sup>b</sup>	100.0 (N=5)
Other	0.0	100.0	0.0	0.0 <sup>b</sup>	100.0 (N=12)
Degrees Received (%)					
None	24.5	33.0	26.2	14.4	100.0 (N=168)
General Equivalency Diploma	25.7	26.8	28.6	17.1	100.0 (N=35)
High School Diploma	25.3	33.7	22.9	16.1	100.0 (N=63)
Marital Status (%)					
Never Married	22.1	26.7	36.4	12.8**	100.0 (N=88)
Married, Living With Spouse	27.9	43.0	15.1	14.0**	100.0 (N=88)
Married, Not Living with Spouse	21.9	30.1	30.1	17.8	100.0 (N=73)
Divorced, Widowed	27.9	29.5	23.0	19.7	100.0 (N=61)
Prior AFDC Dependency (%)					
Never on AFDC	25.6	41.1	20.0	13.3	100.0 (N=90)
Two Years or Less	27.8	35.2	20.0	17.1	100.0 (N=105)
More Than Two Years	21.6	23.4	38.7	16.2***	100.0 (N=111)
Ever Held Job in Two Years Prior to Enrollment (%)	27.3	34.3	23.1	15.3**	100.0 (N=242)
Total Sample <sup>a</sup>	76	100	82	48	306

(continued)

TABLE 7.7 (continued)

SOURCE: Calculations from MDRC Client Information Sheets and from the Maryland Employment Service Automated Reporting System.

NOTES: Figures on enrollment and participation statuses are calculated as a percentage of all individuals in the demographic category who registered with BET.

Distributions may not add exactly to 100.0 percent because of rounding.

Participation is defined as attending any activity for at least three days.

Numbers in parentheses indicate sample sizes.

<sup>a</sup> For selected characteristics, sample sizes may vary up to one sample point due to missing data.

<sup>b</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\*\*Differences across statuses are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\*Differences across statuses are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

search component. In both Wicomico County and Baltimore, the levels of participation in education and training were higher than in other employment programs studied by MDRC. This was due, for the most part, to the emphasis the two programs placed on long-term employability development.

Although in the Options Program the overall levels of participation did not vary by subgroup, this was not true in the Wicomico program. AFDC enrollees tended to participate more than the AFDC-U enrollees and the recipients more than the applicants. Background characteristics reveal that, in Wicomico, participants tended to come from the more disadvantaged groups. Enrollees in BET were also more likely to be deregistered from the program than in Options, but in both programs, the rate of sanctioning was low.

When another measure of participation was used to take normal welfare turnover into account, the figures indicate that a substantial majority (84.3 percent in Wicomico compared to 77.6 percent in the Options sample) had participated or were no longer subject to the participation requirement (although the figures are not exactly comparable). Those still enrolled in the programs but not yet reached by the participation requirement give an indication of the staff's success in serving the eligible population: 22.4 percent in the Options program and 15.7 percent in BET. These enrollees still awaited attention, but not all had "slipped through the cracks." Many had been deferred for legitimate reasons, including individuals who on their own were involved in either employment or educational activities.

## CHAPTER 8

### CONCLUSIONS

In evaluating any program, it is important to measure its accomplishments not only against some abstract standard of success, but against what the program's planners themselves sought to achieve. In this light, it is important to bear in mind that Options' planners and operators started out with the assumption that poor people who receive welfare want to work, but frequently lack the skills and experience needed to secure jobs that hold promise of long-term security.

This assumption is largely supported by this research: the sample's substantial record of job-holding prior to welfare application, the increasing rate of employment among the control group during a follow-up period, and the results of the worksite survey showing that the large majority of participants in the work experience component enjoyed working even when, in some instances, they believed they were not adequately compensated. Within this context, the leadership of the Department of Human Resources and the Office of Manpower Resources viewed the mandatory participation requirement not as a threat, but rather as a useful tool to draw individuals into an environment where they could acquire self-confidence and the vision of a future not circumscribed by welfare dependency.

The planners' philosophy translated into a program model in which staff and enrollees together decided on an assignment to services aimed to increase self-sufficiency and reduce reliance on welfare over the long run,

although not necessarily the short one. For individuals with recent prior employment and a high school diploma, this usually meant assignment to a job search component. For those whom staff judged deficient in education or work-related skills, the placement was more likely to be to work experience or to an education or skills training program. Participation in such programs was permitted and encouraged even if the programs did not lead to early employment and even though the enrollees stayed on welfare longer than might be the case if they began looking for jobs right after program entry. Maryland's focus on longer-term rather than immediate welfare savings set the Options Program apart, to a certain extent, from the employment programs run by some other states.

Comparison of the Maryland results with those realized in the work-related programs in other states is hazardous for many reasons, of which program philosophy is only one. In the MDRC demonstration, different groups are targeted in the different states -- sometimes only applicants to welfare, but often also subsets of recipients who had been on the rolls for some time. As a result, enrollees differ in the extent of their prior employment and in demographic characteristics. Enrollees in each state confront different labor market conditions, and their patterns of welfare receipt are shaped in part by the different grant levels, which vary widely from state to state.

In addition, the groups compared within states sometimes differed. In this evaluation, individuals assigned to Options were compared to those who were eligible to receive regular WIN services, ones that largely center on immediate placement into regular jobs. A small group (about 3 percent) did receive some structured activities. In another evaluation, program parti-

cipants were compared to a group that received no services at all. In short, better outcomes for one program over another cannot be solely attributed to the superiority of a program model or to the way in which that model was implemented.

Yet certain findings from the different programs in MDRC's demonstration fall into a similar pattern. Typically, about half of the individuals who were eligible to participate had done so within six to nine months after program entry. Rates of participation in Options were similar, with 45 percent of all experimentals, and 53 percent of those registered with the program, having participated within the first 12 months. The rate of the BET Program, at 52 percent, also met this mark.

Options impacts on individuals' employment and earnings can at this point only be compared to those achieved in two other programs for which findings are now available: one run for welfare applicants in San Diego, California and the other for both applicants and recipients, studied in two counties in Arkansas. Both of these programs differ from the Options model (but are similar to the BET Program) in that they require group job search as the initial component for all enrollees, followed in some cases by up to 13 weeks of work experience. Despite this design difference, increases in the quarterly employment rates were in the same general range for all three programs: in each, the gains began shortly after random assignment and continued throughout the follow-up period. The increased earnings of the Options Program, however, did not translate into immediate welfare reductions, possibly because of a lack of communication between Options and the income maintenance staff or between welfare recipients and the income maintenance unit.



The average cost of the Options Program came to about \$1,000 per experimental (including both participants and nonparticipants), although this cost varied greatly, depending on which services individuals received. While some states are operating less expensive programs -- in large part because they offer only job search and unpaid work experience and downplay more expensive training components -- it is notable that the Options Program, despite its somewhat greater cost, represents an efficient use of resources from the point of view of society. In addition, in accordance with the program planners' intentions, Options produced benefits for the people to whom it was targeted -- the welfare applicants and recipients. From the taxpayer's perspective, including benefits that directly affect the budget and those that do not, the program broke even.

All these results suggest that programs designed to increase employment among welfare recipients can and do make a difference, and that they can be cost-effective as well. In the case of Options, the magnitude of this difference is still an open question. The Options impacts were measured directly only for a limited period -- one adequate to capture the impacts of a program focusing on job search, as was the case in the Arkansas program -- but inadequate to record the effects of longer-term service components. And these components, such as skills training and remedial education, are a principal offering of the Baltimore program to its less employable enrollees. It may well be, therefore, that the full impacts of participation in the Options Program will only show up in the supplemental analysis to be conducted later on the full sample followed over a longer period of time.

APPENDIX A

## APPENDIX A

### THE WORKSITE SURVEY

#### Participant Performance and Experiences at the Worksites

This discussion is based on information collected from interviews with a random sample of 54 work experience participants and their supervisors.<sup>1</sup> The survey, a standardized instrument designed by MDRC, is being conducted in all state employment programs in the Work/Welfare Demonstration that provide unpaid work experience. Its purpose is to examine the kinds of jobs held by participants, the extent to which skills and work habits improved, and participant attitudes about the fairness of the work-for-benefits approach.

The survey in Maryland was conducted by MDRC field researchers based in the program areas. Interviews lasted about 45 minutes for participants who worked from June 1983 to April 1984 in both Baltimore and Wicomico County. The field researchers interviewed 38 participants from Baltimore and 16 from Wicomico County. Sample sizes were too small to analyze site data separately, but work assignments in the two areas were similar. Also because of the small sample sizes, the assistance category and subgroup distinctions made elsewhere in the report will not be presented.

#### A. Types of Jobs Held

Most of the jobs in the sample of 54 work experience assignments were either clerical (35) or service (13), usually food preparation services. Private nonprofit agencies were the most common work sponsors.

Some typical job descriptions are:

- Kitchen worker for the city jail: supervises overall kitchen operations, food distributions and kitchen clean-up.
- Clerical aide in a city office: types, files, collates, distributes mail, answers phone, runs duplicating machine.
- Food service assistant for a state college: cuts vegetables, prepares salad bars in cafeteria.

These descriptions suggest that most of the jobs required only moderate skills. An additional indicator of a job level is the wage rate it commands in the labor market. Supervisors were asked to estimate what their agency's wage rate would be if the position had been a regular job. According to their responses, one of the job assignments would have paid less than the minimum wage, 22 the minimum wage (\$3.35 per hour), 18 above the minimum wage but less than \$5.00 per hour, and 14 would have been paid \$5.00 or more, with a ceiling of \$7.50 per hour. The average wage paid for a comparable position in a regular job would have been \$4.35.

#### B. Importance of the Work to Sponsoring Agency

The modest skills level of most of the positions does not necessarily mean that the jobs were make-work, i.e., of no importance to the agency. When supervisors and participants were asked to choose from a series of statements describing the value of the work to the agency, almost all jobs were described as "a necessary part of the day-to-day business of the agency." (See Table A.1)

Supervisors were also asked if the tasks currently assigned to participants would be carried out if the program ceased to exist. All said that they would. Supervisors were then asked who would perform the work,

TABLE A.1

## MARYLAND

CHARACTERIZATION BY WORKSITE SUPERVISORS AND PARTICIPANTS  
OF WORK EXPERIENCE JOBS IN TERMS OF IMPORTANCE TO THE AGENCY

Degree of Importance	Number of Participants
<u>Supervisors' Perception</u>	
Necessary Work	52
Work Can Wait, But Eventually Needs to be Done	0
Helps if Work is Done	2
Work is Not Particularly Important to Agency	0
Total Number of Sampled Work Experience Supervisors	54
<u>Participants' Perception<sup>a</sup></u>	
Necessary Work	42
Work Can Wait, But Eventually Needs to be Done	6
Helps if Work is Done	4
Work is Not Particularly Important to Agency	0
Total Number of Sampled Work Experience Participants <sup>a</sup>	54

SOURCE: Interviews conducted by MORC Field Research Staff with a random sample of participants in work experience jobs between June 1983 and April 1984, and their worksite supervisors.

NOTE: <sup>a</sup>Total for the participants does not add to 54 due to missing responses.

and were allowed more than one response. The most common one, "existing regular employees," was mentioned by 40 supervisors; volunteers were mentioned less often (by seven supervisors). Only four of the supervisors mentioned hiring new regular employees. This suggests that the work was important enough to continue but not so demanding as to overwhelm current staff.

C. Productivity

Another way to consider the importance of the work is to examine productivity. Supervisors were asked to compare the amount of work the participant did in a typical day to that performed by a new regular employee. They were offered a range of choices -- from one-tenth as much to the same amount. The possibility that the participant did more than a new regular employee was not offered as a choice, but the response was recorded if the supervisor volunteered it. Twenty-eight of the respondents thought the participants did as much as a new employee, and five volunteered that participants did more. Four participants were rated half as efficient as a new employee, with the remaining 22 rated from 60 to 90 percent as efficient.

Overall, the responses of supervisors present a picture of work assignments that contribute to the agency's functioning and are not make-work, and of participants who are nearly as efficient as regular employees with comparable assignments. The next section considers the value of the jobs to the participants.

#### D. Skills Development

Work experience programs are typically expected to help participants gain good work habits and to teach them how to interact with co-workers and supervisors. These might be called "job-holding skills," in contrast to more specific occupational skills, which these kinds of programs usually do not emphasize.

Supervisors were asked about two groups of general job-holding skills -- cognitive and general working skills -- and which of these were important for the job in question. Additionally, as a very rough proxy of job complexity, supervisors were asked which kinds of tools or equipment were important. Skills in the two groups and the types of tools are listed below:

##### Cognitive Skills

- ability to read and write;
- arithmetic skills

##### General Working Skills

- communicating well;
- cooperating with co-workers;
- dealing with the public;
- using initiative;
- working well without close supervision.

##### Ability to Use Tools

- simple tools;
- tools requiring dexterity;
- simple machines;
- complex machines.

When the skills levels of these jobs were compared to those that supervisors say are required at worksites elsewhere in MDRC's Work/Welfare Demonstration,<sup>2</sup> it appears that they call for only a moderate number of skills. (See Table A.2.) Each of the general skills was important in 31

TABLE A.2

## MARYLAND

ADEQUACY OF WORK EXPERIENCE PARTICIPANTS IN SELECTED SKILLS AND WORK HABITS  
 IMPORTANT FOR THEIR JOBS, AT THE START OF THEIR JOBS  
 AND AT TIME OF INTERVIEWS, AS JUDGED BY THEIR WORKSITE SUPERVISORS

Type of Skill or Work Habit	Number of Work Experience Jobs Where Skill is Important	Number of Participants Who Were: <sup>a</sup>		
		Adequate or More Than Adequate at Start of Work Experience Job	Inadequate at Start of Work Experience Job	Inadequate at Time of Interview
<b>Cognitive Skills</b>				
Reading/Writing	28	27	0	0
Arithmetic	12	12	0	0
<b>General Skills</b>				
Communicate Well	33	28	3	0
Cooperate With Co-Workers	38	33	2	0
Deal With Public	31	23	4	0
Use Own Initiative	33	25	4	0
Work Without Supervision	38	21	2	0
<b>Ability to Use Tools</b>				
Simple Tools	12	10	2	1
Tools Requiring Dexterity	22	19	3	1
Simple Machines	28	14	14	3
Complex Machines	20	10	10	2
<b>Work Habits</b>				
Attendance	N/A	46	7	3
Concentrate on Task	N/A	46	8	1
Work Quickly	N/A	43	11	1
Follow Instructions	N/A	47	7	1
Come in Sick	N/A	45	9	3
Complete Tasks	N/A	48	6	1
Learn From Mistakes	N/A	46	8	2

SOURCE: Interviews conducted by MORC Field Research staff with the workplace supervisors of a random sample of participants in work experience jobs between June 1983 and April 1984.

NOTES: N/A indicates not applicable because all supervisors were asked to rate the adequacy of the participant.

<sup>a</sup> A total of 54 supervisors were interviewed. Numbers are based only on those jobs where the supervisor indicated that the skill was important. Due to a change in question format, not all supervisors were asked about participant adequacy in all important skills.



to 38 of the jobs (57 percent to 70 percent); the most common were cooperating with co-workers and being able to work well without supervision. Dealing with the public was mentioned least often. Cognitive skills were less important; arithmetic skills were mentioned for 12 of the jobs; reading or writing for 28.

In the Arkansas sample, the percent of jobs requiring each general skill ranged from 100 percent for communicating well and cooperating with co-workers to 62 percent for using one's own initiative. At the other extreme in Virginia this ranges from 40 percent for working well without supervision to 4 percent for communicating well. It should be remembered, however, that since the number of interviews is fairly small in all the states, the precision of such comparisons is limited.

For each type of the general working skills considered important to the job, supervisors were asked about the participant's level of adequacy both when the assignment began and at the time of the interview. (However, due to a change in question format, information on adequacy is not available for each skill for all participants.) At the same time, supervisors were asked to judge adequacy, both initially and later, for the following seven work habits, which apply to all jobs and work settings:

- attendance and punctuality;
- concentration on tasks;
- working quietly and in a timely fashion;
- following instructions;
- calling in when sick or late;
- completing tasks thoroughly;
- learning from mistakes or constructive criticism.

In response to these sets of questions, supervisors replied that, when participants began the assignments, a small number were inadequate in both general skills and work habits. A higher percentage were inadequate in the

use of machines required on the job. However, according to these supervisors, improvement was registered among all of the participants who were initially judged less than adequate in general skills and most of those judged inadequate in work habits. Most improvement could be seen in the ability to use tools, primarily simple and more complex machines.

Participants were also questioned about learning on the job. They were asked if they strongly agreed, somewhat agreed, somewhat disagreed, or strongly disagreed with the statement, "I have not learned anything on this job." They responded as follows:

Number of Participants

Strongly disagree.....	34
Somewhat disagree.....	4
Somewhat agree.....	8
Strongly agree.....	8

Although the majority (38) of the 54 participants felt they had learned something on the job, 16 participants believed they had not learned anything.

Opportunities for development of skills on a job are limited. Obviously, if the skill is not important for the work, opportunities for development are limited. Also, people who are less than adequate in a skill when they start an assignment have a greater potential to improve than those who are already adequate. Using these criteria, it appears that the worksites did require some skills, but that the potential for development was limited by the fact that most participants' skills were adequate for the jobs when they began.

#### E. Fairness of the Requirement

Participants were asked the following question: "How satisfied are you about receiving welfare benefits like this -- that is, tied to a job instead of just receiving your benefits?" (See Table A.3.) Although most replied positively, 20 people expressed some dissatisfaction with receiving benefits tied to a job.

When asked if they agreed or disagreed with a slightly different question, most participants said they felt better about receiving welfare now that they were working for it, but 22, or 41 percent, disagreed with the statement. This level of disagreement is much greater than in the other state programs in the worksite study, where the proportion ranged from 17 percent to 28 percent.

A third question dealt with the issue of fairness in terms of financial equity. When asked to compare the usefulness of their work to the amount of money they received in benefits, the majority of participants said the work requirement was fair although almost all (52) indicated that they thought the agency got the better end of the bargain. Once again, while this trend follows that seen in the other state programs, the proportion who thought the agency "got the better end of the bargain" is higher in Maryland.

As discussed in the first report, a number of explanations may account for the different responses to these three questions compared to other states. Participants typically work 37.5 hours each week in Maryland so their implicit wage rate (benefits divided by hours worked) is below the minimum wage. Also, when asked to consider whether it was fair to work in exchange for benefits, many participants defined the benefit as only the

TABLE A.3

## MARYLAND

WORK EXPERIENCE PARTICIPANT RESPONSES TO QUESTIONS  
CONCERNING THE FAIRNESS OF A WORK REQUIREMENT  
IN THE EMPLOYMENT SERVICES PROGRAM

Question	Number of Participants
How satisfied are you about receiving welfare benefits like this - that is, tied to a job, instead of simply receiving your benefits? <sup>a</sup>	
Very Satisfied	12
Somewhat Satisfied	20
Somewhat Dissatisfied	5
Not Satisfied at All	15
I feel better about receiving welfare now that I am working for it.	
Strongly Agree	18
Somewhat Agree	14
Somewhat Disagree	7
Strongly Disagree	15
I'd like to ask you how useful your work is to the agency. Let's say you <u>compare the usefulness of your work to the amount of money</u> you receive in benefits - who would you say probably is getting the better end of the deal: <u>you</u> , or the <u>agency</u> ?	
Me	2
Neither One	0
Agency	52
Does participant understand that participation is mandatory?	
Yes	38
No	18
Total Number of Work Experience Participants Interviewed	54

SOURCE: Interviews conducted by MORC Field Research staff with a random sample of participants in work experience jobs between June 1983 and April 1984.

NOTE: <sup>a</sup>Total does not add to 54 due to missing responses.

\$30 weekly stipend, which was distributed at the worksites, rather than their total welfare benefits.<sup>3</sup>

In addition, 36 of the respondents believed that their grants would be reduced if they failed to comply with the work requirement, that is, by either refusing to take the job or by quitting. In other words, two-thirds felt that participation was in some way mandatory.

The survey also examined the attitudes of participants to the jobs themselves. In contrast to attitudes expressed about working for benefits, participants displayed general satisfaction with their positions. Several of the questions that examine this issue are presented in Table A.4. In the most straightforward question, participants were asked if they agreed or disagreed with the statement, "Overall, I like my job." Only three participants disagreed, and 39 said they agreed strongly. Forty-eight participants said that most mornings they looked forward to going to work, and most, 47 participants, felt that they were part of the workforce and viewed as regular staff.

TABLE A.4

## MARYLAND

WORK EXPERIENCE PARTICIPANT RESPONSES TO QUESTIONS  
CONCERNING JOB SATISFACTION AT WORKSITES

Question	Number of Participants
Overall, I like my job.	
Strongly Disagree	0
Somewhat Disagree	3
Somewhat Agree	12
Strongly Agree	39
Generally speaking, how do you feel most days about coming to work here? In other words, most days do you: <sup>a</sup>	
Look forward to coming to work?	48
Not care one way or the other?	4
Hate the thought of coming to work?	1
What about your supervisor and other regular employees here -- do you feel they look on you as part of the regular staff?	
Yes	47
No	7
The kind of work I'm doing will help me to get a decent-paying job later.	
Strongly Disagree	6
Somewhat Disagree	3
Somewhat Agree	17
Strongly Agree	28
I have not learned anything new on this job.	
Strongly Disagree	34
Somewhat Disagree	4
Somewhat Agree	8
Strongly Agree	8
Total Number of Work Experience Participants Interviewed	54

SOURCE: Interviews conducted by MORC Field Research Staff with a random sample of participants in work experience jobs between June 1983 and April 1984.

NOTE: <sup>a</sup> Distribution does not add to 54 due to missing responses.



APPENDIX B



TABLE B.1

## BALTIMORE

SELECTED CHARACTERISTICS OF THE RESEARCH SAMPLE  
AT THE TIME OF RANDOM ASSIGNMENT, BY ASSISTANCE CATEGORY  
AND RESEARCH GROUP  
(NOVEMBER 1982 - DECEMBER 1983 SAMPLE)

Characteristic	AFDC		AFDC-U	
	Control	Experimental	Control	Experimental
Welfare Status (%)				
Applicant	50.8	48.9	92.0	83.8**
Recipient	49.2	51.1	8.0	16.2**
Age (%)				
18 Years or Less	1.3	1.9	0.0	1.7 <sup>a</sup>
19 to 24 Years	12.3	12.5	13.6	15.6
25 to 34 Years	52.0	53.6	44.9	45.1
35 to 44 Years	25.7	23.8	25.6	27.2
45 Years or More	8.6	8.3	15.9	10.4
Average Age (Years)	32.1	31.6	33.7	32.3
Sex (%)				
Male	9.9	10.4	87.4	88.2
Female	90.1	89.6	12.6	11.8
Ethnicity (%)				
White, Non-Hispanic	28.0	31.0*	59.1	70.0**
Black, Non-Hispanic	70.7	67.7*	38.6	27.1**
Hispanic	0.4	0.3 <sup>a</sup>	0.6	1.2 <sup>a</sup>
Other	0.9	1.1	1.7	1.8 <sup>a</sup>
Degree Received (%)				
None	54.8	58.0	60.5	62.3
General Equivalency Diploma	6.8	6.7	7.6	7.8
High School Diploma	38.4	35.3	32.0	29.9
Average Highest Grade Completed	10.6	10.4*	10.2	10.3
Marital Status (%)				
Never Married	41.7	39.3	2.3	4.2
Married, Living With Spouse	8.9	8.6	95.4	92.9
Married, Not Living With Spouse	33.4	33.7	1.1	3.0 <sup>a</sup>
Divorced, Widowed	16.0	18.4*	1.1	0.0 <sup>a</sup>

(continued)

TABLE 8.1 (continued)

Characteristic	AFDC		AFDC-U	
	Control	Experimental	Control	Experimental
Average Number of Children by Age				
Less Than 4 Years	0.14	0.16*	0.69	0.80*
4 to 5 Years	0.06	0.08*	0.25	0.30*
6 to 12 Years	1.02	1.03	0.83	0.75
13 to 18 Years	0.53	0.58	0.36	0.34
Average Number of Children Under 19 Years of Age	1.75	1.85***	2.13	2.18***
Any Children (%) <sup>a</sup>				
Less Than 6 Years	15.8	17.8	64.8	67.6
Between 6 and 18 Years	86.9	86.1	64.8	60.7
Prior AFDC Dependency (%)				
Never on AFDC	13.3	14.4	54.0	47.0
Two Years or Less	31.9	31.1	38.5	43.4
More Than Two Years	54.8	54.5	7.5	9.6
Average Months on AFDC During Two Years Prior to Random Assignment	13.6	13.8	2.7	3.9*
Average Months Unable to Work Due to Medical Problems in Two Years Prior to Random Assignment	1.4	1.2	0.2	1.0***
Held Job at Any Time During Four Quarters Prior to Random Assignment (%) <sup>b</sup>	46.0	42.6*	70.5	68.2
Held Job During Quarter Prior to Random Assignment (%) <sup>b</sup>	29.8	26.5*	41.5	37.0
Average Earnings During Four Quarters Prior to Random Assignment (\$) <sup>b</sup>	1745.23	1463.69**	3101.64	3164.05
Average Earnings During Quarter Prior to Random Assignment (\$) <sup>b</sup>	425.77	343.53**	738.53	647.12
Average Months Employed During Two Years Prior to Random Assignment	5.7	5.3	11.6	11.0
For Longest Job Held in Past Two Years <sup>c</sup>				
Average Hourly Wage Rate (\$)	4.69	4.91	6.59	5.88*
Average Weekly Hours	33.0	33.2	38.3	39.1
Duration of Job (Months)	29.1	28.3	40.6	29.8**
Total Sample <sup>d</sup>	1428	1395	176	173

(continued)

TABLE B.1 (continued)

SOURCE: Calculations from MORC Client Information Sheets and the Unemployment Insurance earnings records.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> Distributions may not add to 100.0 percent because individuals can have children in more than one category.

<sup>b</sup> Calculated from Unemployment Insurance records from the State of Maryland.

<sup>c</sup> For questions concerning longest job, sample sizes are based on the number of individuals who report a longest job on the Client Information Sheet. Due to missing data for selected characteristics, these sample sizes vary as follows: 600-627 for AFDC controls, 590-613 for AFDC experimentals, 132-135 for AFDC-U controls and 132-137 for AFDC-U experimentals.

<sup>d</sup> For selected characteristics, sample sizes may vary up to twenty-seven sample points due to missing data.

<sup>e</sup> Chi-square tests inappropriate due to low expected cell frequencies.

\*Differences between controls and experimentals within an assistance category are statistically significant at the 10 percent level using a two-tailed t-test or chi-square test.

\*\*Differences between controls and experimentals within an assistance category are statistically significant at the 5 percent level using a two-tailed t-test or chi-square test.

\*\*\*Differences between controls and experimentals within an assistance category are statistically significant at the 1 percent level using a two-tailed t-test or chi-square test.

APPENDIX C

TABLE C.1

## BALTIMORE

TWELVE-MONTH PERFORMANCE INDICATORS FOR EXPERIMENTAL REGISTRANTS,  
BY PERIOD OF RANDOM ASSIGNMENT  
(NOVEMBER 1982 - DECEMBER 1983 AFDC AND AFDC-U SAMPLE)

Performance Indicators	November 1982 - March 1983	April - December 1983
Participation Rate		
Any Active Component	52.4	53.0
Job Search <sup>a</sup>	19.9	38.0***
Work Experience <sup>b</sup>	28.7	15.2***
Education and Training <sup>c</sup>	20.7	19.1
Placement Rate	17.5	18.7
Deregistration Rate	42.9	47.0
Sample Size	508	776

SOURCE: Calculations from the Maryland Employment Service Automated Reporting System.

NOTES: All performance indicators are calculated as a percentage of the total number of experimentals in the indicated period of random assignment who registered for Options within three months of random assignment.

<sup>a</sup> Job Search includes Individual Job Search and Group Job Search.

<sup>b</sup> Work Experience includes WIN Work Experience, Jobs Plus I (which also included a job search component), Public Sector Work Experience and On-the-Job Training.

<sup>c</sup> Education and Training includes Harbor City Learning, the Learning Center, Classroom Skills Training, skills training based on individual referrals, the World of Work and general institutional training outside the program.

\*\*\*Differences between periods of Random Assignment are statistically significant at the 1 percent level using a chi-square test.

APPENDIX D

TABLE 0.1

## BALTIMORE

ALL AFDC: PRE-PROGRAM EMPLOYMENT IN THE FOUR QUARTERS  
PRIOR TO RANDOM ASSIGNMENT, BY WELFARE STATUS  
(NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Prior Period	Experimentals	Controls
Applicants		
Ever Employed (%)		
4th Prior Quarter	43.8	42.0
3rd Prior Quarter	41.4	40.5
2nd Prior Quarter	39.9	40.9
Quarter Before Random Assignment	40.8	40.8
Sample Size	662	702
Recipients		
Ever Employed (%)		
4th Prior Quarter	16.7	17.3
3rd Prior Quarter	16.3	17.1
2nd Prior Quarter	14.4	17.2
Quarter Before Random Assignment	16.0	16.0
Sample Size	689	670

SOURCE: MORC calculations from State of Maryland  
Unemployment Insurance records.

NOTES: These data are regression-adjusted using  
ordinary least squares, controlling for pre-Random  
Assignment characteristics of the sample members. The  
regression model equalizes experimental and control  
employment rates in the quarter before Random Assignment.

Values here represent the source of prior  
employment for Figure 5.3; tests of significance were not  
applied.

TABLE D.2

## BALTIMORE

AFDC APPLICANTS: ESTIMATED COEFFICIENTS FOR INDEPENDENT VARIABLES  
 USED IN REGRESSIONS FOR EMPLOYMENT, EARNINGS AND AFDC RECEIPT  
 DURING THE FIFTH QUARTER OF POST-RANDOM ASSIGNMENT FOLLOW-UP  
 (NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Independent Variable	Variable Mean	Dependent Variables			
		Employed (%)	Earnings (\$)	Received Welfare (%)	Welfare Amount (\$)
Experimental Group Member	.485	6.30** (2.49)	111.18* (64.72)	-3.47 (2.59)	-30.83 (21.73)
Prior Employment Ever Employed in Four Quarters Prior to Random Assignment	.614	16.97*** (3.49)	265.73*** (90.76)	-1.36 (3.63)	-6.04 (30.48)
Earnings Greater than \$3000 in Four Quarters Prior to Random Assignment	.320	11.34*** (3.51)	394.93*** (91.15)	-13.18*** (3.64)	-107.02*** (30.61)
Ever Employed in Quarter Prior to Random Assignment	.408	11.03*** (3.71)	69.98 (96.38)	1.09 (3.85)	-15.83 (32.36)
High School Diploma or Equivalent	.452	6.80*** (2.59)	214.95*** (67.38)	-6.66** (2.69)	-43.99* (22.63)
Prior AFDC Dependency Never Had Own AFDC Case	.222	—	—	—	—
Less Than Two Years	.420	0.48 (3.32)	-192.32** (86.40)	9.65*** (3.45)	87.09*** (29.01)
More Than Two Years	.358	-7.77** (3.53)	-343.52*** (91.85)	18.31*** (3.67)	144.40*** (30.84)
Number of Own Children Less than 19 Years Old 0 Children	.019	-3.69 (9.19)	-159.61 (238.96)	-3.80 (9.55)	-48.50 (80.24)
1 Child	.505	—	—	—	—
2 Children	.293	6.34** (2.94)	167.06** (76.38)	0.33 (3.05)	63.89** (25.65)
3 Children or More	.183	4.22 (3.88)	117.33 (100.98)	7.55* (4.04)	208.53*** (33.91)
Number of Children Greater Than Three	.074	3.40 (4.08)	48.48 (105.96)	4.12 (4.24)	104.73*** (35.58)

(continued)



TABLE 0.2 (continued)

Independent Variable	Variable Mean	Dependent Variables			
		Employed (%)	Earnings (\$)	Received Welfare (%)	Welfare Amount (\$)
Children Less than Six	.095	16.99*** (4.58)	166.43 (118.96)	-3.74 (4.76)	-34.54 (39.94)
Ever Married	.704	-4.23 (3.10)	-143.49* (80.49)	-3.80 (3.22)	-6.22 (27.03)
Age					
18 to 24 Years	.086	-11.37** (4.93)	-197.03 (128.19)	5.84 (5.13)	83.25* (43.04)
25 to 34 Years	.547	--	--	--	--
35 Years or More	.367	1.58 (2.73)	102.14 (71.08)	-8.56*** (2.84)	-97.77*** (23.87)
Non-White	.663	0.65 (2.85)	-102.46 (74.13)	16.76*** (2.96)	103.61*** (24.89)
Constant		17.61*** (4.79)	502.42*** (124.59)	49.33*** (4.98)	324.25*** (41.84)
Unadjusted R <sup>2</sup>		.1541	.0945	.0924	.1246
Model F		15.3	8.8	8.6	12.0
Dependent Variable Mean		41.20	706.69	57.77	429.06
Sample Size	1364				

SOURCE: MDRC calculations from State of Maryland welfare and Unemployment Insurance records.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. Coefficients are estimated by ordinary least squares. Numbers in parentheses are estimated standard errors.

"Employment" and "Receiving Welfare" are dichotomous dummy variables. Their coefficients are multiplied by 100 to yield percentages. "Earnings" and "Welfare Amount" are dollar variables and include cases with zero values.

Where ambiguous, reference categories for dummy variables are shown in the table with dashes. All reference categories are (a) control group (b) not employed in four quarters prior to enrollment (c) no diploma or equivalent (d) never had own AFDC case (e) one child (f) no child less than six (g) never married (h) age 25 to 34 (i) white. Thus, for example, the coefficient of "ever married" is the increment to the dependent variable for the trait "ever married" versus "never married" with all other traits controlled for.

A two-tailed t-test was applied to all coefficients. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

TABLE 0.3

## BALTIMORE

AFDC RECIPIENTS: ESTIMATED COEFFICIENTS FOR INDEPENDENT VARIABLES  
 USED IN REGRESSIONS FOR EMPLOYMENT, EARNINGS AND AFDC RECEIPT  
 DURING THE FIFTH QUARTER OF POST-RANDOM ASSIGNMENT FOLLOW-UP  
 (NOVEMBER 1982 - DECEMBER 1983 IMPACT SAMPLE)

Independent Variable	Variable Mean	Dependent Variables			
		Employed (%)	Earnings (\$)	Received Welfare (%)	Welfare Amount (\$)
Experimental Group Member	.500	3.61 (2.29)	18.43 (46.21)	0.11 (2.10)	1.02 (20.10)
Prior Employment					
Ever Employed in Four Quarters Prior to Random Assignment	.278	9.73*** (3.66)	196.71*** (73.90)	-3.28 (3.35)	-48.68 (32.14)
Earnings Greater than \$3000 in Four Quarters Prior to Random Assignment	—	—	—	—	—
Ever Employed in Quarter Prior to Random Assignment	.160	24.71*** (4.40)	483.11*** (88.70)	-7.93** (4.03)	-83.84** (38.58)
High School Diploma or Equivalent	.427	9.93*** (2.54)	151.44*** (51.27)	-3.11 (2.33)	-47.52** (22.30)
Prior AFDC Dependency					
Never Had Own AFDC Case	.245	—	—	—	—
Less Than Two Years		—	—	—	—
More Than Two Years	.755	-7.63*** (2.87)	-164.74*** (57.91)	10.50*** (2.63)	65.34*** (25.19)
Number of Own Children					
Less than 19 Years Old					
0 Children	.005	13.35 (15.89)	281.66 (320.38)	-23.05 (14.54)	-195.16 (139.34)
1 Child	.437	—	—	—	—
2 Children	.312	-0.27 (2.81)	-7.98 (56.65)	2.24 (2.57)	130.09*** (24.64)
3 Children or More	.246	-1.60 (3.36)	-21.92 (67.77)	2.34 (3.08)	266.08*** (29.48)
Number of Children Greater Than Three	.127	-0.38 (2.58)	-19.14 (51.96)	1.18 (2.36)	80.57*** 22.60

(continued)

TABLE 0.3 (continued)

Independent Variable	Variable Mean	Dependent Variables			
		Employed (%)	Earnings (\$)	Received Welfare (%)	Welfare Amount (\$)
Children Less than Six	.242	4.47 (3.07)	70.80 (61.82)	-1.81 (2.81)	-33.04 (26.89)
Ever Married	.500	4.87* (2.74)	36.47 (55.19)	-1.07 (2.50)	-3.46 (24.00)
Age					
18 to 24 Years	.257	1.75 (3.18)	-7.22 (64.04)	1.17 2.91	-2.60 (27.85)
25 to 34 Years	.529	---	---	---	---
35 Years or More	.214	-4.44 (3.04)	-57.67 (61.36)	0.20 (2.79)	-61.08** (26.69)
Non-White	.753	1.83 (2.91)	6.41 (58.79)	5.81** (2.67)	25.60 (25.57)
Constant		15.61*** (4.53)	281.18*** (91.46)	72.17*** (4.15)	560.47*** (39.78)
Unadjusted R <sup>2</sup>		.1279	.1123	.0443	.1565
Model F		13.9	12.0	4.4	17.6
Dependent Variable Mean		26.66	379.71	81.70	674.07
Sample Size	1339				

SOURCE: MORC calculations from State of Maryland welfare and Unemployment Insurance records.

NOTES: These data include zero values for sample members not employed and for sample members not receiving welfare. Coefficients are estimated by ordinary least squares. Numbers in parentheses are estimated standard errors.

"Employment" and "Receiving Welfare" are dichotomous dummy variables. Their coefficients are multiplied by 100 to yield percentages. "Earnings" and "Welfare Amount" are dollar variables and include cases with zero values.

Where ambiguous, reference categories for dummy variables are shown in the table with dashes. All reference categories are (a) control group (b) not employed in four quarters prior to enrollment (c) no diploma or equivalent (d) never had own AFDC case or had it for two years or less (e) one child (f) no child less than six (g) never married (h) age 25 to 34 (i) white. Thus, for example, the coefficient of "ever married" is the increment to the dependent variable for the trait "ever married" versus "never married" with all other traits controlled for.

A two-tailed t-test was applied to all coefficients. Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; \*\*\* = 1 percent.

APPENDIX E

TABLE E.1

## MARYLAND

SELECTED CHARACTERISTICS OF THE STUDY SAMPLE  
 AT THE TIME OF RANDOM ASSIGNMENT, BY ASSISTANCE CATEGORY AND SITE  
 [NOVEMBER 1982 - DECEMBER 1983 SAMPLE]<sup>a</sup>

Characteristic	AFDC		AFDC-U	
	Baltimore	Wicomico County	Baltimore	Wicomico County
Welfare Status (%)				
Applicant	49.8	55.5**	88.0	72.5***
Recipient	50.2	44.5**	12.0	27.5***
Average Age (Years)	31.9	31.0*	33.0	29.7***
Sex (%)				
Male	10.1	17.3***	87.8	92.4
Female	89.9	82.7***	12.2	7.6
Ethnicity (%)				
White, Non-Hispanic	29.5	41.7***	64.5	58.8
Black, Non-Hispanic	69.2	57.5***	32.9	40.5
Hispanic	0.3	0.3	0.9	0.8 <sup>c</sup>
Other	1.0	0.5	1.7	0.0 <sup>c</sup>
Degree Received (%)				
None	56.4	59.0	61.4	57.3
General Equivalency Diploma	6.8	11.2**	7.7	4.6
High School Diploma	36.9	29.8***	31.0	38.2
Marital Status (%)				
Never Married	40.5	34.7**	3.2	7.6*
Married, Living With Spouse	8.8	9.2	94.2	81.7***
Married, Not Living With Spouse	33.5	30.9	2.0	7.6***
Divorced, Widowed	17.2	25.3***	0.6	3.1 <sup>c</sup>
Prior AFDC Dependency (%)				
Never on AFDC	13.9	24.9***	50.6	49.6
Two Years or Less	31.5	27.7	40.9	44.3
More Than Two Years	54.7	47.3***	8.5	6.1
Average Months on AFDC During Two Years Prior to Random Assignment	13.7	11.0***	3.3	2.8
Average Months Employed During Two Years Prior to Random Assignment	5.5	6.8***	11.3	13.2**
Ever Held Job During Two Years Prior to Random Assignment (%)	45.1	69.2***	80.2	96.9***
Total Sample <sup>b</sup>	2822	393	349	131

(continued)

TABLE E.1 (continued)

SOURCE: Calculations from MDRC Client Information Sheets.

NOTES: Distributions may not add exactly to 100.0 percent because of rounding.

<sup>a</sup> The study sample contains those individuals who were randomly assigned into the Optiona program in Baltimore on or after November 15, 1982 and those individuals who enrolled in the Wicomico County BET program on or after October 1, 1982.

<sup>b</sup> For selected characteristics, sample sizes may vary up to fifty-one sample points due to missing data.

<sup>c</sup> Chi-square tests inappropriate due to low expected cell frequencies.

Differences between Baltimore and Wicomico County within an assistance category are statistically significant at the following levels using a two-tailed t-test or chi-square test: \* = 10 percent, \*\* = 5 percent, \*\*\* = 1 percent.



FOOTNOTES



## CHAPTER 1

1. AFDC-U clients were automatically considered WIN-mandatory. AFDC clients were judged WIN-mandatory unless exempted from the program according to the following criteria described in the WIN Handbook:
  1. under 16 years old
  2. enrolled full-time in school and under 21 years
  3. sick, as determined by the income maintenance unit
  4. incapacitated, as determined by the income maintenance unit
  5. 65 years old or more
  6. living in a remote area: located two hours or more away from a WIN office
  7. a caretaker of a sick person
  8. a mother of a child under six years of age
  9. a mother or female whose spouse is a WIN registrant
2. Grant diversion is a funding mechanism by which all or part of any public assistance grant is used to fund a specific program involving the recipient of that grant. Most commonly states are using the mechanism to help subsidize employers' wages in on-the-job training programs for AFDC welfare recipients.
3. In Wicomico County during the period under study, administrative authority for the BET Program was initially vested in the Governor's Training and Employment Office, the balance-of-state prime sponsor. On September 30, 1983, the Office of Welfare Employment Policy of the Department of Human Resources took over responsibility for the BET Program.
4. See Quint, 1984, p.9.
5. States participating in the welfare grant diversion study are Arizona, Florida, Maine, New Jersey, Texas and Vermont. The management study reports on employment initiatives in Arizona. See Bangser et al., 1985, and Sherwood, 1984.

## CHAPTER 2

1. Some states have obtained a waiver from the federal government to mandate participation for parents with children over three.
2. Some mandatory applicants and recipients may have children under the age of six in their households but not on their AFDC case. In MDRC's description of the sample, these case heads

are categorized as having children under six. In addition, other reasons excuse individuals from a mandatory status. See Footnote 1, Chapter 1.

3. The efficiency of the estimates is a measure of the variance or statistical uncertainty surrounding them. The use of more efficient estimators makes it less likely that true program effects will go undetected and increases the precision of the point estimates of the impacts.
4. Two-tailed tests were used because there were no assumptions about the way in which experimentals might differ from controls.
5. This category does not include having been on a parent's case. Note, too, that any member of the research sample could be an older child on a parent's case, but this is almost certainly a very small number of people.
6. Some 290 individuals who were randomly assigned did not have these forms or had to be left out of the impact analysis for lack of data on applicant/recipient status. This loss amounted to 8.8 percent of the full automated data set of 3,330 enrollees. Some 128 individuals missing applicant/recipient status were also excluded from the process analysis. These represent 3.8 percent of the fully automated data set.
7. UI earnings data were compared to previous employment recorded on the CIS forms of those individuals who reported having been employed for 18 or more months in the two years before random assignment. UI earnings in the year before random assignment were found for 85 percent of the people who reported employment.
8. Supplemental welfare payments were most commonly granted for emergencies, shelter and for utility payments.
9. Welfare payment records were found for over 98 percent of sample members who were classified as "welfare recipients" at the time of random assignment and who reported having had their own AFDC case for more than two years before random assignment. The remaining 2 percent may be taken as the upper bound for the extent of error due to non-matching.
10. ESARS deregistration data underreported actual deregistrations. To compensate, a proxy deregistration date was created whenever the welfare records indicated that sample members had not received welfare payments for two consecutive months.

### CHAPTER 3

1. Caseload counts in this section are taken from Annualized Statistical Report: Fiscal Year 1984. See Maryland Department of Human Resources, 1985.
2. The distribution of cases by age of youngest child was obtained from an unpublished preliminary compilation of fiscal year 1983 data from the national integrated quality control system of the Office of Family Assistance, Social Security Administration.
3. In this study, "applicants" retain that designation even if they are subsequently approved for welfare.
4. Statistics in this paragraph were calculated from grant information presented in "Characteristics of State Plans for Aid to Families with Dependent Children." See U.S. Department of Health and Human Services, SSA Pub. No. 80-21235: 335-36.
5. See Bane and Ellwood, 1983.

### CHAPTER 5

1. See Footnote 6, Chapter 2.
2. See Chapter 2, section A3.
3. Supplemental payments were a small fraction of basic grant expenditures. Although 35.1 percent of the impact sample received some supplemental benefits during the 15-month follow-up, nearly three-quarters of these individuals received only one such payment, which on average amounted to \$190. Receiving several supplemental payments was uncommon: only 1 percent of the impact sample received more than two. Thus, the average of total supplemental payment amounts per person during the period was only \$90, or 2.9 percent of the average total grant amount received.
4. The normal skew in earnings also affects precision. The inclusion in one of the research groups of a few more full-time workers employed every week in a quarter can carry undue weight in the earnings measure without greatly affecting the measure of employment. In addition, enrollees who find jobs as a result of Options Program exposure often begin work near the middle or end of a quarter, and their earnings for that

quarter may be too small to carry much weight during that period.

5. This percent reduction in AFDC benefit expenditures should not be interpreted to cover all such expenditures for the caseload. The sample under study includes only mandatory applicants and those recipients who had recently been determined WIN-mandatory.
6. Table D.1 in Appendix D contains the estimates for prior periods used in the graphs.
7. The proportion of applicants who were employed when they applied for welfare cannot be found in these data. However, that proportion is more likely to be close to the proportion employed in quarter two than that in the random assignment quarter. Any earnings during the first quarter classified an individual as "employed," whether these earnings occurred just before the date of the application or soon afterwards. Quarter two employment rates pick up only earnings that occurred after application.
8. Another way of approaching the question of job retention is to calculate the ratio of persons employed in a quarter to persons ever employed during the follow-up. Selecting quarter five as typical, a comparison of this ratio for experimentals and controls yields:

AFDC Applicants	Quarter Five Employment (%)		Ever Employed (%)		Ratio
Experimentals	44.4	/	60.2	=	.74
Controls	38.1	/	50.8	=	.75

The fact that the ratios for controls and experimentals are very close indicates that, for both research groups, about the same proportion of individuals who ever found work were still employed in the last quarter of follow-up. A fall-off in the ratio would be expected to occur for experimentals if registrants whom the Options Program had helped to find jobs could not retain those jobs as long as individuals who found jobs on their own or with WIN services. Similar close agreement between controls and experimentals exists when the full AFDC sample and AFDC recipients are examined (as well as the extended follow-up subsample, for which quarter eight is the numerator).

9. Welfare savings for approved applicants are not directly relevant to this experiment, since services were initially

given to applicants who subsequently were denied or withdrew their applications. Nevertheless, 6.9 percent would still be the rate of AFDC expenditure reductions for applicants who would have been approved for welfare in the absence of the program. The per person dollar savings would be larger, but there would be fewer persons and a larger per person control group mean. Likewise, the total dollar expenditure reduction for the applicant population is the same for the full sample as for the portion that would have been approved.

10. An interesting parallel can be drawn between the follow-up employment experience of recipient controls in Baltimore and that of recipient controls in an employment program for welfare recipients in Little Rock and Pine Bluff, Arkansas, tracked from June 20, 1983 through September 1984. In both demonstrations, AFDC recipients entered the research at the point of redetermination, but two other factors were different. First, in Arkansas, controls received virtually no services: that is, they were a true "no-treatment group." Second, a federal waiver obtained by the Arkansas Social Services department had lowered the youngest child's age for mandatory status from six to three years. A majority of the recipient sample therefore had a pre-school child, and the possible barrier to employment of child-care needs would not have changed. Perhaps as a consequence of these two important differences, none of the upward movement in the employment rate found for recipient controls in Baltimore was observed in the two Arkansas cities. Instead, a virtually flat employment curve for recipients controls persisted throughout the three-quarter follow-up. Employment gains were observed, however, and were sustained for quarters two and three of the follow-up. (See Friedlander et al., 1985.)

11. See, for example, Wolfhagen, 1983; Goldman et al., 1985; and Friedlander et al., 1985.

12. The comparison between quarter five and the fourth prior quarter for AFDC controls is as follows:

AFDC Controls	----Employment Rate (%)----		
	Quarter 5	4th Prior Quarter	Difference
Applicants	38.1	42.0	-3.9
Recipients	24.9	17.3	+7.6

13. See for example, the results of the job search experiment in Little Rock and Pine Bluff (Friedlander et al., 1985); the second report on the San Diego job search and work experience demonstrations (Goldman et al., 1985); Wolfhagen, 1983, for the Louisville WIN Laboratory demonstration of job search;

Hollister et al., 1984, on the Supported Work Program for the longer-term female recipients; and Brown et. al., 1983, on the Employment Opportunity Pilot Project.

14. Calculations for effect sizes detectable on an 80 percent power, given the available sample size for AFDC-U's, were performed for two-tailed difference of proportions tests at the significance level of .10, assuming a control group employment rate of 50 percent and a control group welfare receipt rate of 40 percent, both selected to be close to the rates actually observed for AFDC-U controls at the end of follow-up. The numbers of AFDC-U's available in the sample are sufficient for detecting only large impacts on that assistance category -- that is, impacts on the order of 15 percentage points or more for employment and welfare incidence. Estimates of group differentials of several percentage points may occur by random chance. Thus, for example, the maximum percentage point differential in Table 5.8 -- + 6.7 for welfare receipt in quarter four -- would be wiped out completely by a change in status of only 11 sample members. An impact of this size estimated for the larger AFDC sample would be noteworthy, but here it does not even attain statistical significance. That is, there is some possibility that the same comparison performed with a much larger AFDC-U sample would yield a zero or even a small positive impact.

## CHAPTER 6

1. See Long and Knox, December, 1985.
2. It should be noted, however, that AFDC applicants and recipients are also taxpayers, and -- as discussed later in the "Increased Tax Payments" section in the chapter -- one of the effects of Options was to increase the amount of taxes they pay.
3. Because of the differences between experimentals and controls (including a statistically significant difference in employment experiences prior to random assignment), impacts were adjusted using multivariate regression techniques.
4. The ESARS data on program enrollment does not include information on termination from given components such as work experience. Participants in a component were assumed to have terminated when they (1) entered a new component; (2) were either officially deregistered from WIN or stopped receiving AFDC payments; or (3) reached the maximum time that could be spent in that component. Thus, according to these criteria, those experimentals who were randomly assigned between April

and December 1983 who had not terminated from components by December 1984 were considered to have been still actively enrolled at the end of the observation period.

5. The average length of enrollment in work experience from assignment to termination was estimated using the termination assumptions explained in the previous footnote.
6. This was done in three steps. First, the total dollar amount of stipend checks issued for work experience during the five quarters ending in December 1983 was divided by \$6, the daily stipend paid for days actually worked by Options participants, in order to determine the number of active days worked during this period. Second, the resulting figure was divided by the number of enrollment days in work experience recorded by ESARS for the same period (calculated as described in Footnote 3), which yielded the desired conversion ratio. Third, the estimate of the average length of work experience enrollment was multiplied by this ratio to estimate the average number of work days per experimental.
7. Supervisors were asked to estimate the number of hours it would take regular workers to do the same work done by participants during the hours they were assigned to work at the agency. The ratio of estimated regular workers' hours to participant assignment hours (for the worksite survey sample) was then multiplied by the average number of hours worked by all participants in the work experience component. This yielded the estimate of the time it would take regular workers to provide the same labor services provided by Options experimentals.
8. This is a standard economic assumption made in analyses of this kind. The assumption implies that employers will not pay compensation in excess of the dollar value of an employee's contribution to output. This allows an estimate of the value of the net increase in output due to Options based on observed earnings differences. However, experimentals and controls obtain jobs in noncompetitive labor markets, notably in the public sector, which may result in some amount of error in the benefit estimates.
9. Using microsimulation techniques, Smeedling estimated the value of fringe benefits as 17.9 percent of wages and salaries for workers earning less than \$10,000 in 1979. See Smeedling, 1981.
10. There were offsetting out-of-pocket expenses incurred by work experience participants, but these are treated separately in the "Costs" section.

11. Most agency supervisors and managers interviewed as part of the worksite survey indicated that the work performed by the Options' participants was important to the day-to-day activities of their agencies. For a detailed discussion of the relationship between supply-price estimates and the demand for output such as Options produces, see Kemper and Long, 1981. Given the framework laid out by Kemper and Long and the results of the worksite survey, it is likely that the average demand price for the output is below the estimated supply price, but not necessarily greatly below it.
12. The worksite survey suggests that a very small fraction of the work done by Options participants may have caused displacement -- that is, it might have been done by employees who would have been hired in the absence of Options. The possibility of displacement is probably greater for regular jobs, but there is no reliable way to assess it empirically.
13. Tax liability was imputed on the basis of tax rates and regulations summarized in The U.S. Master Tax Guides, 1983 and the State Tax Guide as well as average consumption data for low-income households from the U.S. Bureau of Labor Statistics (See U.S. Department of Labor, 1980).
14. As explained in Long and Knox, December 1985, Medicaid nonparticipation months for experimentals and controls were calculated as months with zero AFDC payments more than four months after AFDC receipt ended.
15. See Maryland Department of Health and Mental Hygiene, 1985.
16. Essentially, this estimation procedure mirrors the Food Stamps benefits calculation rules that apply for eligible households. However, because only 80 percent of AFDC households participate in the Food Stamps program, estimated benefits have been reduced accordingly. For details, see Long and Knox, December 1985.
17. Administrative cost data were obtained from two state reports -- see Maryland Department of Health and Mental Hygiene, 1985 and Maryland Department of Human Resources, 1985.
18. These operating cost data, support service cost data, and enrollment data all correspond to WIN's Howard Street Office in Baltimore for fiscal year 1983. The operating cost data for this office were obtained from Maryland Employment Security Division (Cost Report 82), while the other data were obtained from program staff. The WIN cost data have been adjusted to reflect fiscal year 1984 dollars using the GNP price deflator.



19. The present discounted value of extrapolated future benefits is estimated by multiplying the base period estimate by a single extrapolation factor that takes into account the other three elements -- the time horizon, decay rate, and discount rate. See Long and Knox, December 1985.
20. This estimate was made by Mary Jo Bane and David Ellwood using longitudinal data on AFDC families; see Bane and Ellwood, 1983.
21. The extended follow-up on the first cohort of experimentals and controls (those randomly assigned between November 1982 and March 1983) provided evidence of possible decay in the earnings of AFDC applicants in quarters 7 and 8, but no evidence whatsoever of decay for the recipient group.
22. It was assumed that program effects observed in quarters four and five for the April-December 1983 enrollees decayed or increased over quarters six through eight at the same rates observed for the November 1982 through March 1983 enrollees. See Long and Knox, December 1985.
23. This is the annual decay rate estimated for WIN families by Ketron, Inc., 1980.
24. The choice of a discount rate has been a source of continuing debate both in government and in the literature of economics; see, for example, Hanke and Anwyll, 1980. While there is no "correct" rate, 5 percent is within the range of rates usually used in benefit-cost analyses.
25. The staff positions that were charged against other OMR accounts during part or all of the period from October 1982 through December 1983 include the Options' assistant director, a secretary, and one of the program's workshop leaders.
26. The time study was conducted during the weeks of September 19-23 and December 5-9, 1983. All staff who worked on Options completed a work record for these two weeks. Staff indicated the time they spent on eight program activities using the record: (1) intake and assessment, (2) testing, orientation and tutorials, (3) sanctioning and efforts to secure compliance, (4) job search workshop, (5) worksite development and monitoring, (6) job placement, (7) administration, and (8) non-Options activities. The fraction of total staff time devoted to each activity except (8) was then multiplied by the total estimated operating cost of Options in order to obtain the total estimated cost of that activity.
27. The cost of Options' contract with the Harbor City Learning Center for remedial education and the estimated cost of its

contracts with various providers of skills training together make up the total cost of training. This cost was divided by the number of Options clients who entered training in order to determine the unit cost.

28. Unlike the group job search and work experience components, the amount of time a client could spend in training was not limited. Thus, the corrections made in estimating the average length of enrollment in work experience (see Footnote 4) and group job search (see Footnote 29) could not be made for training.
29. The average length of enrollment was estimated as (1) the total days of recorded enrollment through December 1984 by individuals in world of work and in the components that included group job search, excluding days still enrolled after the maximum time in a component had been reached. This was divided by (2) the number of Options clients who entered one of these components by December 1984.
30. The amount of administrative time devoted to research-related activities was estimated on the basis of interviews with administrative staff.
31. It was assumed that the April through December 1983 enrollees who had not terminated from a given component by the end of December 1984 remained enrolled in that component for the average time that the November 1982 through March 1983 enrollees stayed in the same component during the last six months of the observation period. See Long and Knox, December, 1985.
32. As indicated in Chapter 4, relatively few controls entered WIN job search, work experience or training. However, controls did receive some job-placement assistance from WIN counselors.

#### APPENDIX A

- 1 All but three were AFDC's; three were AFDC-U's.
2. For comparisons to findings in other demonstrations states, see for example, Goldman et al., 1985; Ball, 1984; Price, 1985 and Friedlander et al., 1985.
3. A more speculative possibility is that the urban population in the Baltimore sample may be more resentful of the obligation to work than participants in the other more rural sites in the MDRC demonstration. A planned cross-state worksite study will address this issue in more detail.



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**MANPOWER DEMONSTRATION  
RESEARCH CORPORATION**

**Three Park Avenue  
New York, New York 10016  
(212) 532-3200**

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